

## **Historic, archived document**

Do not assume content reflects current scientific knowledge, policies, or practices.



D1401  
A206

# DIGEST OF WORLD AGRICULTURE

No. 41      November    1977

Foreign Agricultural Service  
Economic Research Service



CALENDAR OF INTERNATIONAL MEETINGS

|                        |                                                                                                              |
|------------------------|--------------------------------------------------------------------------------------------------------------|
| November 28-December 2 | IWC and Food Aid Committee Meetings<br>(London)                                                              |
| November 29-December 1 | GATT-Annual Session of Contracting<br>Parties                                                                |
| December-January       | Mexican Consultative Mechanism Trade<br>Subgroup (Mexico City)                                               |
| December 5-8           | OECD Committee for Agriculture Working<br>Party I (Paris)                                                    |
| December 5-9           | FAO Intergovernmental Group on Meat (Rome)                                                                   |
| December 12-16         | UNIDO First Consultative Meeting on<br>Vegetable Oils and Fats Industry (Madrid)                             |
| December 12-16         | UNCTAD Intergovernmental Committee for<br>the Integrated Program for Commodities,<br>Fourth Session (Geneva) |
| January 4-13           | UNCTAD First Preparatory Meeting on Tea<br>(Geneva)                                                          |
| January 16-20          | UNCTAD Third Preparatory Meeting on Hard<br>Fibers (Geneva)                                                  |
| January 25-27          | ASA/FAS Sponsored Eastern Hemisphere<br>International Soy Protein Conference<br>(Singapore)                  |
| January 31-February 6  | ESCAP Committee for Agric. Development<br>(Bangkok)                                                          |
| January 30-February 2  | 54th Congress - International Association<br>of Seed Crushers (Kuala Lumpur, Malaysia)                       |
| January 30-February 3  | UNCTAD Intergovernmental Working Group<br>(Expert Level) on Jute and Jute Products<br>(Geneva)               |

---

The Digest of World Agriculture is a monthly overview prepared by The Foreign Agricultural Service (Foreign Commodity Analysis) in collaboration with The Economic Research Service.

Questions and comments may be addressed to the Coordinators:

Dorcas D. Lumley  
Room 6535-So.  
447-5685

Dewain H. Rahe, ERS  
Room 344, GHI Bldg.  
447-8260

## CONTENTS

|                                                 | <u>PAGE NO.</u>    |
|-------------------------------------------------|--------------------|
| Summary                                         | 1-2                |
| Flash News                                      | 2                  |
| U.S. Crop Production Forecast                   | 3                  |
| Table (World Production & Trade of Major Crops) | 4                  |
| CALENDAR OF INTERNATIONAL MEETINGS              | Inside Front Cover |
| Bergland Remarks at FAO, Rome                   | 5                  |
| White Remarks at Outlook, Washington            | 6                  |
| Summary ICAC 36th Plenary, Seoul                | 7                  |
| Summary IWC, London                             | 8                  |
| U.S. POLICY DEVELOPMENTS                        | 9-12               |
| World Weather and Crop Summary                  | 12-13              |
| I. PRODUCTION                                   |                    |
| A. Commodities                                  |                    |
| 1. Grain                                        |                    |
| a. World Situation                              | 14                 |
| b. U.S. Situation                               | 15-17              |
| 2. Cotton                                       |                    |
| a. World Situation                              | 18                 |
| b. U.S. Situation                               | 19                 |
| 3. Livestock/Dairy/Poultry                      |                    |
| a. U.S. Livestock Situation                     | 20                 |
| b. U.S. Poultry Situation                       | 21                 |
| 4. Sugar & Tropical Products                    |                    |
| a. World Situation                              | 22-23              |
| 5. Fats & Oils                                  |                    |
| a. World Situation                              | 24-25              |
| b. U.S. Soybean Situation                       | 26                 |
| 6. Tobacco                                      |                    |
| a. U.S. Situation                               | 27                 |
| b. U.S. Trade                                   | 28                 |

|                                                |                                                                                                                                           |
|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| 7. Fruits & Vegetables                         |                                                                                                                                           |
| World Fruit Highlights                         | 29                                                                                                                                        |
| B. Commercial Export Programs                  |                                                                                                                                           |
| a. CCC Credit                                  | 30-31                                                                                                                                     |
| C. Food & Consumer Items                       |                                                                                                                                           |
| a. Production of the USSR Food Industry        | 31                                                                                                                                        |
| b. Chart FPI/CPI                               | 32                                                                                                                                        |
| c. The Bread Basket                            | 33                                                                                                                                        |
| d. Chart (U.S. Beef, Pork & Broiler Prices)    | 34                                                                                                                                        |
| e. Chart (U.S. Daily Soybean, Wheat & Corn)    | 35                                                                                                                                        |
| D. Transportation                              |                                                                                                                                           |
| a. St. Lawrence Seaway Toll Increases          | 36                                                                                                                                        |
| b. Longshoremen's Strike                       | 36                                                                                                                                        |
| c. Chart (Grain Ocean Loadings)                | 37                                                                                                                                        |
| d. Chart (Grain Rail Loadings)                 | 38                                                                                                                                        |
| II. DEMAND                                     |                                                                                                                                           |
| A. Economic Situation                          |                                                                                                                                           |
| a. Japan Announces Measures to Promote Imports | 39                                                                                                                                        |
| b. PRC Agricultural Situation                  | 40                                                                                                                                        |
| B. Economic Indicators                         |                                                                                                                                           |
| a. Chart (Exchange Rate 6 Major Currencies)    | 41                                                                                                                                        |
| A-2 & A-3                                      | (Industrial Production)                                                                                                                   |
| A-4 & A-5                                      | (Unemployment)                                                                                                                            |
| A-6 & A-7                                      | (Domestic Prices)                                                                                                                         |
| A-8                                            | (GNP/Retail Sales/Fixed Investment/<br>Wages in Manufacturing/Money Market Rates)                                                         |
| A-9                                            | (Export Prices/Import Prices/Official Reserves/<br>Current Account Balance/Basic Balance/Exchange<br>Rates/Trade-Weighted Exchange Rates) |
| A-10 & A-11                                    | (Direction of Trade)                                                                                                                      |
| A-12 & A-13                                    | (Foreign Trade)                                                                                                                           |
| A-14 & A-15                                    | (Foreign Trade Prices in U.S. Dollars)                                                                                                    |
| A-16                                           | (Selected Developing Countries)                                                                                                           |
| A-17                                           | (Foreign Trade f.o.b.)                                                                                                                    |
| A-18 & A-19                                    | (Agricultural Prices)                                                                                                                     |

November 22, 1977

This compilation is for the purpose of keeping you advised of the late information affecting the responsibilities of your agency. Discretion should be used in the release of this information, and the division supplying should be given as the source.

## SUMMARY

WHEAT AND COARSE GRAINS - The 1977 total world production of wheat and coarse grains is now forecast at 1,066 million metric tons, down about 19 million since the October 20 forecast. Global wheat trade is projected at over 70 million tons--a record. Coarse grain trade is forecast at 80 million tons.

RICE - Total 1977/78 world rice production is estimated at slightly over 350 million tons (paddy basis), the second largest crop on record. World trade in calendar 1978 is estimated at 8.2 million tons (milled basis).

OILS/MEALS - World production of oilseed meals in calendar 1978 is forecast at 78.9 million metric tons, 12.5 million above the 1977 volume. World meal output in 1978 is estimated to be 9.4 million tons, 14 percent above 1977.

World 1978 fats and oils output is forecast at 53.4 million tons, 5.5 million above 1977.

COTTON/WORLD RECORD - World cotton production for 1977/78 is estimated at 64.8 million bales, 12 percent above last year and 1 percent larger than the previous record of 64.3 million in 1974/75. Cotton area is estimated at 32.6 million hectares, 6 percent larger than in 1976/77. Excellent weather in most producing countries could result in a record world yield of over 430 kilograms per hectare.

U.S. RED MEAT AND POULTRY - Current prospects point to continued large supplies of red meat and poultry in 1978. However, the mix will be different from 1977 as beef production declines and pork and poultry production increases. This supply situation is expected to result in somewhat higher cattle prices and lower hog and poultry prices than this year.

EXPORTS/IMPORTS - The volume of U.S. agricultural exports is expected to reach a new record high of about 110 million metric tons in FY 1978, 8 million tons above FY 1977. The index of export prices is expected to drop around 15 percent from FY 1977, primarily due to lower prices for grains and soybeans. Thus, value of U.S. agricultural exports may decline in FY 1978 to about \$22.0 billion from \$24.0 billion in FY 1977.

U.S. agricultural imports in FY 1978 are expected to total near the FY 1977 value of \$13.4 billion. Coffee import values and prices have begun to decline, but meat and sugar import values are expected to increase in FY 1978. Thus, the U.S. agricultural trade surplus may narrow in FY 1978 from last year's \$10.6 billion.

EXCHANGE RATES - During the month of October the Japanese yen was very strong as the U.S. dollar dropped in value against all 6 charted currencies (Chart page 41).

TRANSPORTATION (Ocean) - October shipping rates to all three charted ports (Japan, Trieste, Rotterdam) trended slightly upward (Chart page 37).

TRANSPORTATION (Rail) - Both car shortages and car loadings were up during October reflecting the normal pattern during the grain harvesting season. Freight rates will increase on November 30 (Chart page 38).

#### FLASH NEWS

FOOD RESEARCH AND NUTRITION - On November 10 the U.S. Secretary of Agriculture announced a new \$15 million grant program that will support basic research related to food production and human nutrition. The program, to be operated by the Cooperative State Research Service (USDA), will include \$10 million for competitive grants for basic research in four plant-related areas and \$5 million for basic research on human nutrition.

FEED GRAIN SET-ASIDE - On November 15 the U.S. Department of Agriculture announced a 10 percent set-aside in acreage of corn, sorghum and barley.

\$750 MILLION BUDGET INCREASE FOR CCC - On November 17 the U.S. Secretary of Agriculture announced a \$750 million increase to the fiscal year 1978 budget for financing sales of U.S. agricultural commodities under the CCC Export Credit Sales Program.

FAS:FCA:SPD

U.S. CROP PRODUCTION FORECAST - November 10, 1977  
(SRS Crop Reporting Board)

CORN - production is forecast at a record 161.7 million MT based on conditions as of November 1, up 1 percent (1.6 million MT) from the October 1 forecast and 2 percent above 1976.

SORGHUM GRAIN - production is forecast at 19.8 million MT, up 1 percent (206 Thous. MT) from October 1 and 8 percent above last year.

FEED GRAIN - production (corn, sorghum, oats and barley combined) is forecast at a record high 201 million metric tons, 5 percent more than a year ago.

SOYBEAN - production, forecast at a record 45.8 million MT, is up 2 percent (963 Thous. MT) from a month earlier and 33 percent above last year.

ALL COTTON - production is forecast at 13.8 million bales, up 4 percent from the October 1 forecast and 31 percent above last year.

OILSEED - production (soybeans, cottonseed, peanuts and flaxseed combined) is forecast at 53 million metric tons, 32 percent more than last year.

ALL TOBACCO - production is forecast at 870.1 Thous. MT, up 11.8 Thous. MT from October 1, but 98.9 Thous. MT or 10 percent below the 1976 crop. Flue-cured production is down 15 percent and burley down 5 percent from last year.

SUGAR CROPS - sugar beet production is forecast at 23.2 million MT, 2 percent above a month ago, but 13 percent below the 1976 crop. Sugar-cane is forecast at 24.7 million MT, about 1 percent below October 1 and 5 percent below last year's crop.

ORANGE - production, forecast at 8.6 million MT, is down 1 percent from last month and 10 percent below last season.

FAS:FCA:SPD

WORLD PRODUCTION AND TRADE OF MAJOR CROPS, 1973/74 - 1977/78

|                         |                | Unit | 1974/75 | Revised : 1975/76 | Preliminary : 1976/1977 | Projected : 1977/1978 | Forecast based on conditions in | Sept.   | Oct.    | Nov.    |
|-------------------------|----------------|------|---------|-------------------|-------------------------|-----------------------|---------------------------------|---------|---------|---------|
|                         |                |      |         |                   |                         |                       |                                 |         |         |         |
| <b>WHEAT</b>            |                |      |         |                   |                         |                       |                                 |         |         |         |
| Area                    | : million hect | :    | 220.5   | 226.8             | 231.9                   | 228.5                 | 232.0                           | 232.0   | 232.0   | 232.4   |
| Yield                   | : MT/hect      | :    | 1.62    | 1.54              | 1.78                    | 1.67                  | 1.78                            | 1.78    | 1.78    | 1.78    |
| Production              | : million MT   | :    | 356.4   | 349.3             | 412.7                   | 381.6                 | 412.5                           | 412.4   | 413.2   | 413.2   |
| Trade 1/                | : million MT   | :    | 68.6    | 72.4              | 67.1                    | 70.4                  | 63.6                            | 63.6    | 63.6    | 61.1    |
| <b>COARSE GRAINS 2/</b> |                |      |         |                   |                         |                       |                                 |         |         |         |
| Area                    | : million hect | :    | 349.2   | 354.4             | 356.4                   | 359.8                 | 357.8                           | 357.3   | 357.4   | 357.4   |
| Yield                   | : MT/hect      | :    | 1.78    | 1.79              | 1.94                    | 1.90                  | 1.93                            | 1.93    | 1.93    | 1.93    |
| Production              | : million MT   | :    | 620.4   | 634.7             | 692.1                   | 684.6                 | 691.2                           | 690.4   | 690.4   | 690.4   |
| Trade 1/                | : million MT   | :    | 70.5    | 85.1              | 88.4                    | 80.0                  | 85.2                            | 85.2    | 85.2    | 82.6    |
| <b>RICE</b>             |                |      |         |                   |                         |                       |                                 |         |         |         |
| Area                    | : million hect | :    | 137.2   | 139.0             | 138.8                   | 141.9                 | 141.0                           | 141.1   | 140.8   | 140.8   |
| Yield                   | : MT/hect      | :    | 2.41    | 2.54              | 2.45                    | 2.47                  | 2.41                            | 2.41    | 2.41    | 2.41    |
| Production              | : million MT   | :    | 330.0   | 353.9             | 340.0                   | 350.5                 | 339.7                           | 340.3   | 340.0   | 340.0   |
| Trade 3/                | : million MT   | :    | 7.2     | 8.3               | 8.0                     | 8.2                   | 8.3                             | 8.4     | 8.4     | 8.4     |
| <b>TOTAL GRAINS</b>     |                |      |         |                   |                         |                       |                                 |         |         |         |
| Area                    | : million hect | :    | 706.9   | 720.2             | 727.1                   | 730.2                 | 730.8                           | 730.4   | 730.6   | 730.6   |
| Yield                   | : MT/hect      | :    | 1.85    | 1.86              | 1.99                    | 1.94                  | 1.98                            | 1.98    | 1.98    | 1.98    |
| Production              | : million MT   | :    | 1,306.8 | 1,337.3           | 1,445.2                 | 1,416.7               | 1,443.4                         | 1,443.1 | 1,443.6 | 1,443.6 |
| Trade                   | : million MT   | :    | 146.3   | 165.8             | 163.5                   | 158.6                 | 157.1                           | 157.2   | 157.2   | 152.1   |
| <b>OIL/MEAL 4/</b>      |                |      |         |                   |                         |                       |                                 |         |         |         |
| Area 5/                 | : million hect | :    | 81.7    | 85.2              | 82.1                    | 87.0                  | 82.1                            | 82.1    | 82.1    | 82.1    |
| Meal 6/                 | : million MT   | :    | 64.4    | 72.7              | 66.7                    | 78.9                  | 66.7                            | 66.3    | 66.3    | 66.3    |
| Production              | : million MT   | :    | 27.6    | 33.6              | 32.5                    | 35.8                  | 32.9                            | 33.7    | 33.7    | 33.7    |
| Oil 7/                  | : million MT   | :    | 46.5    | 49.5              | 47.8                    | 53.4                  | 47.8                            | 47.0    | 47.9    | 47.9    |
| Trade                   | : million MT   | :    | 13.7    | 15.7              | 16.3                    | 17.4                  | 16.3                            | 16.3    | 16.3    | 16.2    |
| <b>COTTON</b>           |                |      |         |                   |                         |                       |                                 |         |         |         |
| Area                    | : million hect | :    | 33.4    | 29.8              | 30.7                    | 32.9                  | 31.1                            | 30.7    | 30.7    | 30.7    |
| Yield                   | : MT/hect      | :    | .42     | .40               | .41                     | .43                   | .41                             | .41     | .41     | .41     |
| Production              | : million MT   | :    | 14.0    | 11.8              | 12.6                    | 14.9                  | 12.6                            | 12.6    | 12.6    | 12.6    |
| Trade                   | : million MT   | :    | 3.8     | 4.1               | 3.9                     | 4.0                   | 3.9                             | 3.9     | 3.9     | 3.9     |
| TOTAL AREA              | : million hect | :    | 822.0   | 835.2             | 840.5                   | 850.1                 | 844.0                           | 843.2   | 843.4   | 843.4   |
| TOTAL TRADE             | : million MT   | :    | 191.4   | 219.2             | 216.2                   | 215.8                 | 210.2                           | 210.3   | 205.9   | 205.9   |

1/ July-June Year. 2/ Includes rye-barley-oats-corn-sorghum-millet & mixed grains. 3/ Calendar Year, milled basis. 4/ Series revised to include world production and trade in meal and oil. 5/ Includes soybeans, peanuts, shelled basis, rapeseed, sunflowerseed and flaxseed. 6/ Includes soybean, fish, peanut, sunflower, cotton, linseed, rapeseed, copra and palm kernel meal expressed in terms of 44 percent soybean meal. 7/ Includes animal, vegetable and marine oils and fats.

SUMMARY OF REMARKS BY U.S. SECRETARY OF AGRICULTURE  
BOB BERGLAND AT THE FAO CONFERENCE IN ROME, ITALY,  
November 16, 1977

In a major address at the 19th FAO Biennial Session in Rome, the U.S. Secretary of Agriculture urged that activities of the U.N. Food and Agriculture Organization (FAO) be focused more directly on increasing food production and improving nutrition in developing countries. Mr. Bergland said that inadequate food production growth rates in developing countries is still the challenge of our time and urged that together the participating nations define a clear view of the FAO role in meeting the challenge. The Secretary pledged that the United States would provide major support for the organization's leadership in 3 areas:

- Working with international organizations and all countries to relieve hunger among people most in need of FAO help to achieve adequate diets.
- Speeding the flow of developmental resources, especially to those countries most in need of them.
- Using development resources in ways that best get food to hungry people.

The Secretary said a key to improving nutrition and increasing food production rates in developing countries is a higher rate of investment in the elements needed for efficient production and marketing. These, he said, are investments in facilities and land improvement, in new knowledge and new techniques to fit each country, and in farm and rural people themselves.

He warned, however, that to be effective, increased investment of outside resources must be combined with increased internal incentives for producers to make the sustained effort required for long-term increases in food production.

The USDA Secretary said the United States is moving to actively support investment needs on several fronts. U.S. contributions to international development institutions in 1978 will be more than double those of 1976, he said, with much of it in concessional funds. The U.S. is increasing its bilateral technical assistance programs in 1978 by \$50 million--to almost \$590 million, and P.L. 480 has been changed to provide increased donations for the most needy countries, and to encourage increased agricultural and economic development among recipient nations.

In other actions reflecting its new goals and new priorities in combating world hunger, the Secretary said the United States has geared its domestic support programs to the world situation, provided for a grain reserve, and is leading the effort for a new International Wheat Agreement.

FAS:FCA:SPD  
(D. Lumley)

EXCERPTS FROM REMARKS BY JOHN C. WHITE, DEPUTY SECRETARY OF  
AGRICULTURE, USDA, AT THE 1978 FOOD AND AGRICULTURAL OUTLOOK  
CONFERENCE, WASHINGTON, D.C., November 14, 1977

In his opening remarks at the 1978 Food and Agricultural Outlook Conference on November 14, Deputy Secretary White outlined the Administration's national food policy in these words:

- "We will maintain a healthy rural America with a strong family-farm oriented system of agriculture by moving aggressively to strengthen export markets for U.S. farmers.
- We are moving as rapidly as possible to develop new energy resources and promote energy conservation throughout the food and agriculture industry.
- We are committed to a major human nutrition research and education effort that will provide all people with needed information to eat more nutritious foods and upgrade their diets.
- We are making our domestic and foreign food assistance programs responsive to the people they are designed to help."

He added:

"The President, Secretary Bergland, and I believe that all policies and programs that are adopted during this Administration must meet four crucial tests to be successful.

They must:

- be good for America's producers and help them make a better income or our policies will fail;
- be good for consumers and meet their needs for abundant food at fair prices or our policies will fail;
- meet our international commitments because food is the foundation for peace in the world; and,
- meet the humanitarian goals of the United States for our citizens and people throughout the world.

We believe our policies meet these tests, and we're putting these principles to work in the Food and Agriculture Act of 1977."

Mr. White concluded his remarks by announcing the creation by President Carter of a Cabinet-level working group on Food and Agriculture Policy. The group is headed by the U.S. Department of Agriculture.

FAS:FCA:SPD  
(D. Lumley)

INTERNATIONAL COTTON ADVISORY COMMITTEE MEETING  
Seoul, Korea - October 24-29, 1977

The International Cotton Advisory Committee (ICAC) met October 24-29 in Seoul, Korea. Attending were delegates and advisors from 38 member countries, observers from 5 non-member countries, and observers from 12 international organizations.

Reports from various countries and the Secretariat indicated increases in production in the 1977/78 season, while the textile recession will likely hold consumption at or below last season's level of 61.5 million bales. Weakness in textile demand could be reflected in a smaller volume of world trade this season unless there is some rebuilding of the lower than normal stocks in importing countries.

The problems of wide price fluctuations received considerable attention. However, there was no consensus of possible solutions. Differences were evident among the various delegations on buffer stocks for cotton. The feasibility of buffer stocks was questioned by a number of countries, but a few favored early consideration of buffer stocks. Nearly all delegates agreed considerable further study was needed on various alternative measures. It was agreed that ICAC should continue to be involved in UNCTAD deliberations on cotton since it had considerable expertise and information to provide.

A presentation was made of the UNDP/World Bank/Rockefeller Foundation proposal for establishing Cotton Development International (CDI) for expanded research and development. Discussions in this subject area were dominated by lauding of the International Institute for Cotton (IIC) and how CDI would be financed, and not on details of the CDI proposal. Many questioned whether it would be possible to raise up to \$28 million proposed, especially since half would come from producing countries.

A number of other producing countries expressed concern that cotton price support provisions of the 1977 U.S. Farm Act would result in excessive stock accumulations and export subsidies, thereby distorting world markets. However, the U.S. delegation explained the cotton provisions of the Act and consulted individually with various delegates to allay the misapprehensions.

Latin American countries announced plans to establish a regional cotton organization to form a coordinated cotton policy. They expressed interest in developing an international futures market for cotton. Separate committee meetings were held on information and statistics, production research, and extra-long staple cotton.

FAS:FCA:COTTON DIV.  
(J. Stevenson)

INTERNATIONAL WHEAT COUNCIL MEETING  
LONDON, ENGLAND - November 2-9, 1977

The sixth meeting of the Preparatory Group of the International Wheat Council was held in London November 2-9. The group was formed in 1975 to consider provisions which might be included in a new agreement to replace the 1971 International Wheat Agreement due to expire next June 30. At the last group meeting September 28 - October 3, the United States tabled a proposed framework for a new International Wheat Agreement. The objectives of this proposal included greater security of world food supplies; moderation of extreme price fluctuations; the expansion of international trade in wheat, and assured provision of food aid to developing countries.

At the meeting just ended, the Preparatory Group discussed the International Wheat Council Secretariat's draft of a possible new agreement. The draft reflected the United States proposal as well as elements from past agreement which have been advocated by other countries. There was a general consensus among the countries which participated in this meeting on objectives in line with those advocated in the United States proposal. Yet some difference of views remains as to how the objective of stabilization of wheat prices should be achieved. The United States and a number of other countries favored an approach to stabilization based on reserve stock measures and demand and supply adjustments. However, a few countries argued that an agreement should include more rigid provisions such as fixed maximum/minimum prices within which world trade would occur. Such an approach is regarded by the United States as unworkable.

The International Wheat Council at its next meeting November 29 to December 2 will review the work of the last two Preparatory Group meetings and decide upon future action. It is currently envisaged that a drafting group will meet in early December to revise the draft negotiating document prepared by the Secretariat. A special Council session may be convened in early January to consider this draft and decide whether or not a basis exists for convening a negotiating conference in mid-February.

FAS:FCA:SPD

(D. Lumley)

## U.S. POLICY DEVELOPMENTS

Recent changes in Commodity Credit Corporation (CCC) loan periods and disaster payment limitations plus a feed grain set-aside announcement require a brief description of the setting precipitating these decisions by policymakers.

For the third consecutive year total U.S. crop production has reached an all-time high, headed this year by record crops of feed grains and soybeans. Total wheat production is the third largest on record, exceeded only by 1975 and 1976 crops. Corn production broke records for the third consecutive year, and total feed grains, the second.

U.S. wheat exports have declined somewhat since their peak in 1973, allowing the unprecedented crops of 1974, 1975, and 1976, when added to this year's 55-million metric ton harvest, to push October 1 wheat stocks to a record 65 million tons. On that date feed grain stocks, at 43 million tons (including 22.3 million tons of corn), were the highest since 1971.

### Loan Activity Accelerates

In early November the CCC had loans outstanding on 9.6 million tons of wheat and 2.56 million tons of corn from the 1976 crops. Outstanding loans on the 1977 crops included 11.5 million tons of wheat and 4.8 million tons of corn. Thus, about one-third of the October 1 wheat and corn stocks were under CCC loans at the beginning of November.

Anticipating the possibility of inadequate storage facilities in rural areas for the 1978 harvest, CCC began issuing 9-month loans on 1977 crop grains and soybeans in November. Reducing the maturity period increases the number of loans expiring before the feed grain and soybean harvest next fall, thus allowing those 1977 crops to be moved from farm and country warehouse storage to accommodate the 1978 crop. Previously, such loans had been drawn on an 11-month anniversary basis. Producers already holding an 11-month loan on their 1977 crop may convert to a 9-month period.

Bulging wheat supplies pushed winter wheat prices received by farmers below the CCC loan level of \$83 per ton in May and June; as of mid-October, they had not yet exceeded \$81. Average corn prices received by farmers slipped below the \$69 loan level in mid-August to \$64. Although the corn loan level was increased to \$79 on August 31, the average price received by farmers continued to hover near \$63 through mid-October and has strengthened since then.

### Wheat Deficiency Payments Begin

Considerable income assistance will accrue to wheat producers this year in the form of deficiency payments, their first since the target price concept surfaced in the 1973 Act. Secretary Bergland reported an estimated \$1.2

billion in 1977 crop deficiency payments will be forthcoming to wheat producers beginning early December. Kansas, the leading wheat state, will collect about 20 percent of the total, or about \$255 million. North Dakota, which produces the most spring wheat, will receive about 13 percent (\$156 million), while approximately 10 percent (\$122 million) will accrue to Nebraska farmers.

The deficiency payment rate is calculated as the difference between the target price and the loan level or the national weighted average market price received by farmers from June through October (the first 5 months of the marketing year), whichever is higher.

#### Limits on Disaster Payments Removed

Another form of income assistance to grain producers derives from increased disaster payments for 1977 crops. The 1973 Act limited annual wheat, feed grain, and cotton program payments to \$20,000 per farmer. Rice program payments were limited to \$55,000 by the Rice Act of 1975. Both restrictions included disaster payments. Under the 1977 Act the payment limitation for the 1978 wheat, feed grain, and upland cotton crops rose to \$40,000, fell to \$52,250 for rice, and excluded disaster payments. Also, Congress recently passed legislation (H.R. 9090, signed by the President) exempting disaster payments for 1977 wheat, feed grain, upland cotton, and rice crops from the \$20,000 limit. During House and Senate discussion of this bill, USDA and Congressional Budget Office estimates were quoted indicating the effect would be an additional \$25-30 million in government payments to farmers receiving disaster payments on 1977 crops.

#### Export Estimates Raised

In early November USDA increased its export projections for the 1977/78 marketing year following the Soviet announcement of an expected grain harvest of 194 million tons. Wheat exports were upped by 1.4 million tons to 29.9 million tons, and corn by 2.5 million to 41.9 million tons. USDA had previously estimated Soviet production at 215 million tons. Since that adjustment recent world developments have pointed to larger coarse grain trade than expected earlier, and estimates of corn exports were boosted again November 11 to 43.2 million tons.

#### Feed Grain Set-Aside Announced

On November 15 Acting Secretary of Agriculture John White announced a conditional 10 percent set-aside for the 1978 feed grain program which includes corn, sorghum, and barley. Oats are not included. Department officials plan to review the world and domestic coarse grain situation again in January and February to determine whether the set-aside should be revoked or not.

The Department cited record 1977 U.S. coarse grain production, rising domestic and world stocks, and depressed farm prices among reasons for the decision. It estimated the set-aside would reduce projected U.S. coarse

grain production by 3 percent, 7 million metric tons, and domestic stocks by 4 million tons. Food prices are not expected to be affected.

White also announced national program areas, in millions of hectares, of 27.4 for corn, 5.5 for sorghum, and 3.0 for barley. Participation, which is voluntary, would require producers to "set-aside" one hectare for every 10 hectares of program crops planted for harvest in 1978. Feed grain producers that choose not to participate will not be eligible for price support loans, disaster payments, or deficiency (target price) payments on feed grain, wheat, rice, or upland cotton crops.

Producers who meet the set-aside requirements and also voluntarily reduce their corn and sorghum area by 5 percent, and barley area planted for harvest by 20 percent, from 1977 planted area are guaranteed target price protection on all their feed grain planted area.

Farmers who meet the set-aside requirement but do not reduce their feed grain plantings from 1977 levels by the specified percentages will be eligible for target price protection on at least 80 percent of their planted area, and perhaps more, depending on the allocation factor. Deficiency payments for such participants will be calculated by multiplying the deficiency payment rate times the normal yield established for their farm times their planted area times the allocation factor. The allocation factor is determined by dividing the national program area by the national harvested area. According to the 1977 Act, however, eligible producers are assured of deficiency payment protection on no less than 80 percent of their planted area, and no more than 100 percent.

#### Sugar Loan Program Launched

On November 8 Secretary of Agriculture Bob Bergland announced regulations for the 1977 crop sugar loan program required by the Food and Agriculture Act of 1977. Under the new program the CCC will offer sugar processors loans of 31.39 cents per kilogram on refined beet sugar and 29.76 cents on cane sugar (raw value). To qualify processors must pay producers at least \$25.18 per ton for average quality sugar beets and \$19.27 for average quality sugar cane. To be eligible for these price supports, producers must pay their employees at least the minimum wage rates for sugarbeet and sugarcane fieldworkers. The Department solicited public comments in November while in the process of establishing wages that would be "fair" to workers and "reasonable" to producers, and will determine and announce those minimum wage rates in the near future.

Other provisions of the loan program appear as follows:

1. Loans may be obtained on refined beet sugar, raw cane sugar, cane syrup, and edible molasses made from 1977 crop sugarbeets and sugarcane produced in compliance with the minimum wage requirements.

2. Sugar used as loan collateral must be in processor-owned or leased storage and must not have been reported as marketed under the interim payments program.

3. Loans will normally mature on the last day of the eleventh month following the month of disbursement; however, the CCC may shorten the maturity period.

4. A processor may redeem a loan any time before the maturity date, whereon he must either repay the loan plus interest (currently 6 percent) or deliver the commodity to CCC.

5. CCC may direct delivery to another facility or accept it in the processor's storage. In the latter case, the processor must retain the commodity in storage for CCC monthly payments of not more than \$1.836 per ton until directed to deliver it elsewhere.

To protect the new price support program, the President, under the authority of Section 22 of the Agricultural Adjustment Act of 1933, imposed fees of up to 7.3 cents per kilogram on imported sugar. Effective the same date, November 11, he also raised the duty on imported sugar from 4.13 cents per kilogram to 6.20 on 96 degree sugar. Estimates indicate the combination of the price support program, duty, and fee actions should increase retail sugar prices, which currently average 46-49 cents per kilogram, to no more than 55 cents.

ERS:CED  
(Cecil Davison)

WORLD WEATHER AND CROP SUMMARY  
(October Review - November 21 Update)

AMERICAS - Generous rains in early October, which broke a six-month drought in the western and southwestern parts of the Argentine grain belt, revived wheat, flaxseed and pastures in those areas while enhancing spring sowing conditions. Subsequent rains have greatly improved the outlook for crops in these and other areas, but excessive rains over the northern half of the grain belt may have adversely affected maturing winter grains in some areas. Heavy rains and high winds in early October damaged the wheat crop in Rio Grande do Sul, Brazil's most important wheat state. Mild, sunny weather in the Prairie Provinces of Canada in the latter half of October permitted successful completion of the grain harvest which was seriously lagging as of the middle of the month.

USSR - Following colder than usual temperatures in early October with frost reported over all the important agricultural areas in European USSR, mild weather dominated this part of the Soviet Union through mid-November. Winter grains are off to a good start with vegetative growth (tillering) continuing in the Ukraine, North Caucasus, and Moldavia. Sowing of winter crops was completed on 39.3 million hectares, or 90 percent of the planned area, by October 17. However, the pace of winter sowing at that time was behind that of 1976 and suggested that the planned area in winter grains

may not have been achieved and the area sown may be less than last year. A record cotton harvest has been achieved with at least 8.5 million metric tons of seed cotton already delivered to the state.

ASIA - The drought affecting most of the important grain areas in Australia continued through October and into mid-November. October precipitation was less than 50 percent of normal in most areas, and prospects for winter grains continued to deteriorate as November rains, thus far, have brought only scattered relief. Soil moisture is very short in most areas, and rain is urgently needed to prevent further deterioration in crops and pastures. In the People's Republic of China, heavy rains in late October and early November relieved the dry conditions that had developed in some winter grain areas while restoring soil moisture. Despite the drought, the Chinese announced that winter wheat sowing was completed in the main winter wheat belt although watering by hand prior to seeding was resorted to in areas without irrigation facilities. Conditions have generally been favorable for the harvest of late crops now under way in South China. Although India's monsoon was withdrawn by the end of September, heavy precipitation continued through October and into November in the southern third of the peninsula, in the northeast and parts of north central India. With favorable sub-soil moisture and replenished reservoirs, the current outlook for the sowing of rabi (spring harvested) crops is highly favorable at this time. Heavy rains have buffeted the extreme south and parts of the east coast during November.

AFRICA - In the main agricultural areas of South Africa, above normal precipitation in October favored early spring sowing and pasture development, but November rains thus far have been deficient. In North Africa, October rainfall was above normal in Morocco benefitting the sowing of winter grains while helping to restore pastures. But, rainfall was less than 50 percent of normal in Tunisia and Algeria during October, and November rains have fallen mainly along the coastal regions of these countries.

EUROPE - Mild and sunny fall weather over most of Western Europe during October provided excellent conditions for completion of sowing of winter grains and fall harvesting. Storms and heavy rains during the first days of October damaged crops in Northern Italy, delaying harvest which, in turn, is expected to delay sowing of winter grains in some areas. Eastern Europe also benefitted from favorable October weather with near ideal conditions for fall harvesting and seeding of winter grains. November weather has been mild but wet over the northern half of Western and Eastern Europe while the southern half has been generally warm and dry through mid-month. October rains in Turkey improved soil moisture for planting winter grains; however, the cotton crop in the Aegean sector was adversely affected by heavy showers. November rainfall has generally been light in the principal grain areas.

FAS:FCA:DSD  
(S. Washenko)

WORLD GRAIN SITUATION

The 1977 total world wheat, coarse grain, and rice production is now forecast at 1,417 million metric tons, almost 19 million tons below the mid-October estimates and 2 percent less than the 1,444 million tons initially projected for the 1977/78 season in mid-July. The current production, if realized, also will be 2 percent under the record wheat, coarse grains, and rice harvest of 1,447 million tons achieved in 1976.

WHEAT AND COARSE GRAINS - Major developments in the world wheat and coarse grain situation during the past month have been (1) a significant decrease in the world grain crop forecast (2) substantial adjustment in the wheat and coarse grain trade forecasts for several major exporting countries and (3) a major revision in the estimate of grain import needs of the USSR and minor revisions for several other countries.

The single most significant recent crop development has been the change in the anticipated grain production in the USSR. The latest estimates of USSR grain production for 1977 show wheat and coarse grain outturn of 90 million tons each, down 5 million tons for wheat and 15 million tons for coarse grains from the previous estimate. Total grain production--including miscellaneous grains, rice, and pulses--is now placed at 194 million tons, down 21 million tons from the estimates of mid-October.

The current 1,066 million ton estimate of 1977 world wheat and coarse grain production is 19 million tons below last month's forecast and 3 percent, or 37 million tons, below the record 1976 outturn of 1,104 million tons. At the current level, however, the 1977 production would still be the second largest crop on record.

Recent declines in production estimates have caused significant increase in the forecast of world wheat and coarse grain trade. Global trade in 1977/78 (July-June) is forecast 4 million tons above the assessment in mid-October. Wheat trade is now projected at over 70 million tons--a record. Coarse grain trade is forecast at 80 million tons.

Among the major changes, on the demand side, is the prospect for substantially higher Soviet imports from all origins now estimated at 8 million tons of wheat and 11 million tons of coarse grains during the 1977/78 (July-June) season. East European wheat and coarse grain imports, are now estimated at about 4 million tons -- 1.1 million tons above the mid-October projections. This is largely because of an apparent increase in Polish import needs. Wheat import estimates have also been increased for Brazil (up 200,000 tons) and Pakistan (up 300,000 tons) reflecting the recent decline in production estimates.

RICE - Estimated world rice production in 1977/78 is estimated at slightly over 350 million tons (paddy basis), the second largest crop on record. Conditions in major production areas have changed little in the past month, but several minor producers including Iran and Senegal have reported reduced crops in recent weeks. World trade in calendar 1978 is estimated at 8.2 million tons (milled basis), an increase of 300,000 tons, while the estimate of calendar 1977 trade has been increased to 8.9 million tons.

FAS:FCA:SPD (D. Lumley)

SOURCE: FAS Grain Div.

## U.S. WHEAT, RICE AND FEED GRAIN SITUATION

Wheat--Prices have strengthened 40 to 50 cents per bushel (\$15 to \$18 per metric ton) since completion of harvest, when farm prices were running about 15 percent below the U.S. loan rate of \$2.25 per bushel (\$82.67 per metric ton). The price strength has come as the crop got under cover and as part of it moved on through marketing channels. Also helping to strengthen prices has been the heavy withholding of their wheat from market by growers, either on their own account or by placing it under Government loan.

Government loan activities have been heavy, both under the anniversary loan program for 1977-crop wheat and under the extended loan program as 1976-crop wheat that had been security for an anniversary loan became eligible for transfer to the extended loan program. By early November, more than a fifth of this year's crop had been placed under loan. This volume, plus 1976-crop wheat still under anniversary loan or in the extended loan program, and the wheat inventory of the Commodity Credit Corporation, add to a total of about 22 million metric tons, or a third of all wheat stocks in the country on October 1. In addition to these stocks, large amounts of wheat owned by others are not being offered for sale at current prices. All of this has helped raise prices at the farm above loan levels in all areas.

There may be some further strength in prices, but this will depend largely on crop developments in other countries and whether foreign purchases of U.S. wheat turn out to be larger than is expected at this time. But current estimates are for wheat prices at the farm to average between \$79 and \$86 per metric ton in 1977/78, down from \$105 in 1976/77. In addition, however, wheat growers for the first time will be due deficiency payments on at least part of their 1977 production. Deficiency payments for 1977 wheat will be paid to farmers based on two target rates. Payments based on a target of \$2.90 per bushel (\$106.56 per metric ton) will be made on a farmer's production on his allotment acreage, or on his total production, whichever is smaller. Any unplanted portion of an allotment qualifies for payment based on a target price of \$2.47 per bushel (\$90.76 per metric ton). In both cases, the deficiency payment this year will be the difference between the target price and the \$2.25 (\$82.67) loan rate, since it is higher than the average price received by farmers in the first five months (June-October) of the marketing year. Deficiency payments will be made on all eligible production, whether the farmer still has his wheat, has put it under Government loan, or has sold it.

This outlook reflects sharp changes in both U.S. and world wheat supplies from a few years ago. In response to very strong prices, U.S. wheat production was record high in 1973, and set a new record in each of the next three years. And the 1977 crop was only 6 percent less than the record 1976 harvest. In each of the last three years, production has exceeded domestic uses and exports together, so stocks

have grown. The large old crop stocks and the large 1977 crop make the wheat supply for 1977/78 about 85.5 million metric tons, the all-time high.

The world supply also is record large, but 1977 crop prospects have deteriorated recently. This probably will lead to record large world wheat trade, U.S. exports likely will be around 29.9 million metric tons, up from 25.8 million in 1976/77. Total utilization is projected at about 53.3 million metric tons, around 10 percent more than last year, but still less than this year's crop. U.S. stocks, therefore, likely will increase modestly in 1977/78.

For the 1978 crop, a 20-percent set aside has been indicated. The loan rate will be \$2.25 per bushel (\$82.67 per metric ton), and the target price will be \$3.05 per bushel (\$112.07 per metric ton) if the crop is less than 1.8 billion bushels (49 million metric tons) but \$3.00 (\$110.23 per metric ton) if the crop is larger. The new Farm Act makes substantial changes in some program operations for 1978 and later crops. But it offers strong incentives to wheat growers, so program participation likely will be heavy and wheat plantings down substantially next year.

Rice--Even though the estimate of the rice crop as of November 1 was slightly larger than a month earlier, exports have been relatively large and prices have strengthened.

Rice production is forecast at 4.49 million metric tons, 15 percent less than last year and 23 percent less than the 1975 crop. Rice harvesting was nearing completion by November 1.

Exports are projected at 3.08 million metric tons, compared with 2.98 million in 1976/77. Domestic use also is expected to be a little larger, around 2.05 million metric tons, up from 1.94 million last year. These levels of use would make total disappearance in 1977/78 of about 5.14 million metric tons, up from 4.92 million in 1976/77, and leave a carryover of around 1.15 million metric tons, down sharply from the year earlier carryover of 1.81 million.

Prices received by farmers for rice in 1977/78 likely will average \$176 to \$198 per metric ton, compared with \$146 in 1976/77.

Feed Grains--Export prospects for U.S. feed grains have increased somewhat because of reduced prospects for world grain production. This is contributing to recent strength in grain prices. Although U.S. feed grain production this year is record large and is estimated slightly larger than it was a month ago, prices in 1977/78 are expected to be a little stronger than were estimated early this fall.

Heavy loan activity also is helping to strengthen feed grain prices. As in other years of unusually large supplies, farm prices of feed grains have run somewhat below loan rates during the harvest period but are expected to rise to loan levels or above as the season progresses.

The U.S. corn crop estimate as of November 1 is 201.3 million metric tons--third successive record crop and 2 percent more than last year. All of the other feed grain crops are larger too. The estimate of the sorghum crop, at 19.8 million tons, is 8 percent larger; the barley crop, at 8.8 million tons, is 7 percent larger; and the oat crop, at 11 million tons, is 35 percent larger. These harvests total about 201 million metric tons, an all-time high 4 percent above last year's record production. Past experience indicates that chances are about 2 out of 3 that the final estimate of 1977 production will not differ from the November estimate by more than 4 million tons. This production and the 30-million-ton carryover of old grain would make a feed grain supply of 231 million tons, 10 percent more than last year's supply and a little above the previous record supply of 1972/73.

U.S. feed grain exports in 1977/78 are projected around 50.4 million metric tons, approximately the same as the heavy export volume in the last two years. Lower feeding costs are contributing to the expansion in U.S. livestock and poultry feeding. Feed grains used for domestic feeding are projected around 119 million metric tons, 6 percent more than in 1976/77. Although domestic uses and exports of feed grains in 1977/78 are projected to total about 188 million metric tons, 4 percent more than last year, this is well below 1977 production. Consequently, carryover stocks will increase sharply, to around 43 million tons, largest since 1971/72.

Prices of corn at the farm in 1977/78 likely will average \$79 to \$86 per ton, compared with \$87 last year. Farm prices of sorghum may average \$73 to \$81 per ton, compared with \$78 last year. Prices of oats and barley likely will be lower than in 1976/77.

For 1978, a 10 percent set-aside in acreage of corn, sorghum and barley was announced on November 15. Oats will not be included in the 1978 feed grain program.

Participation in the feed grain program is voluntary. Non-participants, however, are not eligible for price support loans, disaster payments, or deficiency (target price) payments. Participants must set aside one acre for every 10 acres actually planted for harvest in 1978.

To qualify all of his grain production for deficiency (target price) payments, however, a farmer's 1978 plantings must be smaller than his 1977 plantings by 5 percent for corn and sorghum and 20 percent for barley and wheat. Otherwise, an allocation factor will be applied to deficiency payments. It will be determined later and will be between a minimum 80 percent and 100 percent. The factor will be computed by dividing the national program acreage for the crop by the number of harvested acres. The national program acreage will be the amount of harvested acreage needed to meet domestic and export requirements, with adjustments for desired increase or decrease in carryover.

WORLD COTTON SITUATION

World cotton production for 1977/78 is estimated at 64.8 million bales, 12 percent above last year and 1 percent larger than the previous record of 64.3 million in 1974/75. Cotton area is estimated at 32.6 million hectares, 6 percent larger than in 1976/77. Excellent weather in most producing countries could result in a record world yield of over 430 kilograms per hectare.

The sluggish economic performance of the world economy is expected to keep 1977/78 cotton consumption near the 1976/77 level of 61.2 million bales. Despite the sharp drop in cotton prices, demand is weak as most industrialized western economies have not regained earlier growth rates. Consumption prospects are best in the cotton producing countries that are exporting yarn and cloth rather than raw cotton. Europe is greatly concerned over rapidly growing textile imports that have put considerable pressure on the domestic textile industries. The rate of expansion of imports is being limited and this could affect cotton consumption in several Asian countries that export large quantities of textiles. In the United States, consumption continues to run below last year's level, but is expected to pick up during the first part of 1978.

World cotton stocks on August 1, 1977, were about 18.7 million bales, 3.5 million less than a year earlier and at the lowest level since 1953. After two straight years of sharp declines, stocks are expected to increase to 22.3 million bales by August 1, 1978. Earlier concern over the low stock level has been overshadowed by the weak demand and the outlook for larger cotton production. Stocks in importing countries are at a fairly low level with some buildup expected this year, especially if demand picks up. Foreign exporting countries are expected to export most of their increased cotton production. The result probably will be that much of the increase in world stocks will occur in the United States.

World cotton trade in 1977/78 is forecast at 18.6 million bales, 3 percent greater than last year. Foreign noncommunist countries are estimated to have expanded production by 2.3 million bales and are expected to boost exports by about 0.8 million bales to 9.6 million. U.S. exports are projected at 4.4 million bales, down from 4.8 million exported in 1976/77.

U.S. COTTON SITUATION

The 1977 U.S. cotton crop is the largest since 1965. Based on November 1 conditions, production will total 13.8 million bales, up 3-1/4 million from last year. The relatively high national average yield of 563 kilograms per hectare reflects favorable growing and harvesting conditions in major producing regions. The crop is coming in extremely fast with a large proportion of high-grade, long staple cotton.

The 31-percent larger crop is boosting this season's supply about 2-1/2 million bales. But with disappearance down slightly because of smaller exports, next summer's carryover could total 5-1/2 to 6 million bales, sharply above beginning stocks of 2.9 million.

With 1977 production about 2-3/4 million bales in excess of anticipated U.S. mill use and exports, cotton prices are off sharply from year-earlier levels. For example, the price of base grade SLM 1-1/16-inch cotton is now around 48 cents per pound, nearly 30 cents below last November.

Although last season's tight U.S. cotton supplies and high prices have given way to much weaker prices this season, the impact on mill use lingers on. For example, total U.S. fiber use is expected to gain about 3 percent during calendar 1977 to around 5.4 million metric tons, but cotton's share may drop to a record-low 26 percent, 3.4 percentage points below last year. This market share cut translates into an apparent loss in domestic cotton consumption of around 800,000 bales. However, cotton use in 1978 is expected to benefit from larger supplies and more competitive prices. While consumption during the 1977/78 marketing season may about equal last season's 6.7 million bales, use next season could top 7 million.

U.S. cotton export prospects for 1977/78 are highly uncertain. Although 4-1/2 million bales have already been sold for delivery this season, sales have slowed since early August, reflecting continuing sluggish textile activity abroad. Even with the likelihood of further sales this season, there is the threat of some sales cancellations in view of currently cheaper foreign cotton availabilities. As a result, U.S. cotton exports during 1977/78 may total around 4.4 million bales, compared with 4.8 million last season. However, export prospects appear much brighter for next season.

Acreage seeded to cotton in 1978 will likely fall short of this season's total of 5.3 million hectares. Although prices of all crops have fallen sharply since last spring, cotton prices have in general experienced the sharpest drop. If current price relationships between cotton and competing crops continue, U.S. cotton acreage would be expected to fall in the 4.6 to 5.3-million-hectare range. Depending on yields, this area would indicate a 1978 crop of 10-1/2 to 12 million bales, sharply below current production.

U.S. LIVESTOCK SITUATION

Prospects are for large supplies of red meat well into 1978. Cyclical developments in the livestock industry point to continued growth in pork supplies and to only modest reductions in total beef output. The composition of the beef supply will include a greater percentage of fed beef, reflecting growth in cattle feeding and winding down of the liquidation phase of the cattle cycle.

Movement of cattle onto feed in record numbers during the second half of the year point to larger fed beef supplies in 1978. Marketings from feedlots through mid-1978 may be increased 4 to 5 percent. The increase in fed beef supplies may not be sufficient to offset likely reductions in grass fed slaughter. Total beef production could be 1 to 2 percent below January-June 1977 output, but year-to-year gains in pork and broiler production suggest little price improvement in the fed cattle market for much of 1978. Choice steers at Omaha may average near \$88 per 100 kilograms, little changed from the average for the first half of this year.

Fed cattle prices this winter may slip below \$88 per 100 kilograms. Much of the current price strength reflects a short supply of heavy-finished cattle, a situation not likely to persist. Grass fed slaughter may be reduced a tenth, with all of the reduction in slaughter being cows.

Limited seasonal price strength is in prospect for the spring. Grass fed slaughter may be reduced 15 percent from the previous year, but continued growth in fed beef supplies may limit the decline in total beef output to less than 2 percent. And the increase in pork production likely will exceed 10 percent. The spring-over-winter advance in prices is not likely to offset seasonally higher production costs.

Low feed prices point to more substantial changes in pork supplies and prices. Hog slaughter may be increased 7 to 8 percent during the first quarter of 1978, reflecting the larger number of market hogs weighing less than 30 kilograms on September 1. If farrowing intentions for the fall quarter are realized, the increase in April-June slaughter will exceed 10 percent. Slaughter hog prices may average in the mid-\$70's per 100 kilograms through the first half. Assuming some seasonal reduction in both beef and pork production in the spring, little difference would be expected in the quarterly price averages.

At the projected levels, total red meat production through the first half of 1978 could be 5 percent larger than the previous year.

Year-to-year production increases are likely for the second half as well. Pork production may be 15 percent greater and will more than offset smaller beef supplies. Five to 7 percent more fed cattle marketed during the second half will limit the decline in beef production to 5 percent or less.

## U.S. POULTRY SITUATION

Broiler production in 1977 will total slightly above 1976, while egg and turkey output will show a small decline. However, prospects of lower feed prices than a year earlier during much of 1978 is expected to result in increased output of poultry and eggs next year.

Broiler production in October was about the same as a year earlier, but chick placements indicate marketings in the last 6 weeks of 1977 will be up around 10 percent. Output will continue to increase in 1978 but the rate of increase will slacken from late 1977 levels. First half 1978 output is expected to be 5 to 7 percent above January-June 1977. Second half production likely will remain above a year earlier, but the rate of increase may slacken.

Wholesale broiler prices averaged 86 cents a kilogram in October but will likely drop to 75-80 cents per kilogram in late November and December because of the expected sharp increase in marketings. First half 1978 prices will strengthen from late 1977 levels but average below January-June 1977.

Egg production has been below a year earlier during much of this year but is running above in late 1977. Output will likely continue larger during most of 1978. Increased layer numbers and larger output per hen is expected to result in first half 1978 egg production totaling 2 to 3 percent above a year earlier.

Egg prices have been weak this year and in late 1977 are running well below last year. The prospective increased output in the first half of 1978 is expected to result in egg prices averaging moderately below January-June 1977. The sharpest drops from 1977 will occur in the first quarter because January-March prices were unusually high this year.

Turkey producers are expected to respond to excellent prices in the fall of 1977 and prospects for lower feed prices next year by stepping up marketings during the seasonally light first half of 1978. Output in January-June 1978 could be 10 percent above a year earlier. However, turkey supplies will show a smaller increase because of reduced cold storage stocks at the first of the year. Second half 1978 production is expected to continue above a year earlier but show a more moderate percentage increase than during the first half.

Turkey prices this year have been above 1976 and the margin has spread as the year progressed. Young hen prices at New York in October-December will average around \$1.25 per kilogram, compared with \$1.08 cents last fall. Prices in the first half of 1978 will weaken from this fall's levels and average near the \$1.12 per kilogram of January-June 1977.

ERS:CED  
(G. Rector)

WORLD SUGAR AND TROPICAL PRODUCTS SITUATION

SUGAR - An International Sugar Agreement was concluded on October 7, is for 5 years duration, and is effective January 1, 1978. It is based primarily on export quotas and stocking of sugar. The price range is 24 to 46 cents per kilogram (11 to 21 cents per pound), and will be subject to review during the life of the Agreement. When prices are between 24 and 46 cents per kilogram importing members will undertake to limit their purchases from nonmembers, as a group, to 75 percent of a historical base level, and 55 percent when prices are below 24 cents.

Prices of sugar on the world market varied only slightly during the month. They hovered around the 15 cent per kilogram level. At the beginning of October the price (f.o.b. Caribbean Port) was 16 cents per kilogram and at the end of the month it was also at that price. The prospects of measures, both domestically and internationally, to raise prices prompted unusually heavy buying during the month, especially by the United States.

Harvesting of sugar beets in both Europe and North America continued under favorable conditions. While United States beet sugar production will be down due to the acreage decline, production in East and West Europe and the USSR are expected to be substantially higher than a year earlier. Sugarcane crops in the Southern Hemisphere are having a good outturn.

On November 8 U.S. regulations required for the 1977-crop sugar loan program by the Food and Agriculture Act of 1977 were announced. Loans of 29.76 cents per kilogram of cane sugar (raw value) and 31.39 cents per kilogram of refined beet sugar would be made available immediately to processors who pay to producers the required support prices. With the initiation of the loan program, the Department ended the price support program announced earlier.

Significant domestic action has been taken to protect the new sugar price support program. On November 11 the President authorized an import fee on sugar of up to 7.3 cents per kilogram. This action was taken under Section 22 of the Agricultural Adjustment Act of 1933. Additionally, the duty on sugar was increased by 4.13 cents per kilogram to 6.20 cents.

COFFEE - U.S. green coffee imports in September again were very low, only 678,095 bags (60 kilograms each), bringing January-September imports to 11.9 million bags, 22 percent less than in the first 9 months of 1976. Third quarter imports were less than half the volume imported in July-September 1976. On an October-September basis, 1976/77 imports of 16.4 million bags were the lowest since World War II. The September unit import value of \$4.32 per kilogram (\$1.96 per pound) was down 84 cents per kilogram from August. However, the value of green coffee imports during January-September 1977 reached \$3.17 billion, up 73 percent from the \$1.83 billion for the first 9 months of 1976.

Green coffee prices continued to decline in October, as most buyers refrained from making significant purchases. The ICO composite price for the major growths, exdock, New York, averaged \$4.89 per kilogram (\$2.22 a pound) in October, down from \$5.20 per kilogram in September, and compared with \$3.64 per kilogram a year earlier. Actual spot prices however, were largely under \$3.97 per kilogram (\$1.80 a pound) for the month, with "Other Milds" and "Robustas" selling as low as \$3.53 and \$2.65 a kilogram, respectively.

Prices began to strengthen somewhat following an October 21 joint announcement by 10 Latin American producers of "Other Milds" coffees that they were suspending their 1977/78 crop sales until prices rose to more satisfactory levels. Late in October, however, Brazilian press reports disclosed that Brazilian coffee was being sold at prices competitive with other coffees, under special arrangements with the IBC, breaking Brazil's 4-month holdout against the decline in world prices from April highs.

COCOA - World cocoa bean production for October-September 1977/78 is forecast at 1.47 million metric tons, up 8 percent from the disappointing 1976/77 harvest of 1.36 million tons, which was the lowest outturn since the 1968/69 season. Harvesting of the West African main crops will begin several weeks later than normal this fall because of dry weather earlier in the year.

If production estimates are realized, a stock buildup can be expected in 1978, following 2 consecutive years of inventory reductions. With the bearish outlook and with supplies from the 1977/78 crop beginning to move to market, cocoa prices in the coming months should begin to turn downward from the record levels prevailing during the 1976/77 season.

1977/78 production forecasts with comparative 1976/77 data for the major producing countries follow:

|                    | <u>Thous. Tons</u> |                |
|--------------------|--------------------|----------------|
|                    | <u>1976/77</u>     | <u>1977/78</u> |
| Ghana              | 325                | 340            |
| Ivory Coast        | 235                | 250            |
| Nigeria            | 165                | 200            |
| Cameroon           | 82                 | 95             |
| Brazil             | 234                | 250            |
| Ecuador            | 69                 | 70             |
| Dominican Republic | 34                 | 35             |
| Mexico             | 34                 | 34             |
| Colombia           | 28                 | 31             |
| Papua New Guinea   | 30                 | 31             |
| Malaysia           | 20                 | 22             |

# WORLD SITUATION - OILSEEDS AND PRODUCTS

MEAL - World production of oilseed meals in calendar 1978 is forecast at 78.9 million metric tons (SME) soybean meal equivalent--12.5 million tons above the reduced 1977 volume and 6.2 million above the record large 1976 volume. Adding in the reduced U.S. carryin stocks of soybeans and meal at 2.5 million tons SME, the total meal supply at 81.3 million tons SME is still 4.4 million tons or 5.7 percent above the 1976 record.

The 1978 world meal output is estimated to be 9.4 million tons or 14 percent above the 1977 apparent world meal consumption level (world production less U.S. stock changes). During the 1965-77 period apparent world meal consumption trended upward by 2.4 million tons annually. The largest annual increases in apparent world meal consumption were as follows:

| <u>Year</u> | <u>Million Tons</u> | <u>Annual Percent Change</u> |
|-------------|---------------------|------------------------------|
| 1970        | 8.3                 | 17                           |
| 1974        | 7.9                 | 14                           |
| 1976        | 7.1                 | 11                           |

The forecast gain in world meal supplies reflects a 9.3 million ton gain in U.S. production--the combined result of record large 1977 soybean and sunflowerseed harvests as well as a larger cottonseed crop. In 1978 U.S. meal production at 37.3 million tons SME will account for about 47 percent of world meal output against 42 percent in 1977 and 46 percent in 1976, 49 percent in 1974 and 47 percent in 1970.

In the foreign sector an above trend gain of 3.3 million tons follows an 860,000 ton decline. Since 1965 foreign meal production registered only three declines. The two previous declines were in 1973 and 1969. In both years the shortfall in foreign meal production was followed by supercharged gains in U.S. exports the following year.

During the 1965-75 period aggregate growth in foreign meal production trended upward by nearly 1.2 million tons per year accounting for nearly one-half of the annual gain in world meal output. However, in 1978 despite the expected large gain in foreign meal, foreign output will account for only about one-fourth of the gain in world output. A similar situation took place in 1976.

OIL - World 1978 fats and oils output is forecast at 53.4 million tons, up 5.5 million tons from the reduced 1977 volume and 3.9 million above the large 1976 volume. Adding in U.S. carryin stocks of all oils and fats including the oil equivalent of oilseeds at 1.5 million tons, total 1978 supplies at 54.9 million tons would be 4.7 million above a year earlier and 3.9 million above the 1976 record.

The 1978 world fats and oils production forecast is 4.7 million above the 1977 apparent world oil consumption estimate (world production less U.S. stock change). This volume is about four times the annual uptrend in world consumption. In recent years the largest annual gains in apparent world fats and oils consumption were as follows:

| <u>Year</u> | <u>Million Tons</u> | <u>Annual Percent Change</u> |
|-------------|---------------------|------------------------------|
| 1970        | 2.5                 | 7                            |
| 1971        | 2.3                 | 6                            |
| 1974        | 3.6                 | 8                            |
| 1976        | 2.1                 | 5                            |

Combined U.S. fats and oils production for 1978 based largely on the oil equivalent of 1977 crops is forecast at 13.6 million tons--up 2.5 million from the reduced 1977 volume and 1.2 million above the 1974 record volume.

Foreign fats and oils output at 39.8 million tons is forecast to register a sharp above-trend gain of 3.0 million tons, or slightly above the 2.8 million ton expansion registered in 1974. This reflects expected sharp gains in sunflower, rapeseed, soybean, cottonseed, palm and linseed oils. In addition olive oil should be on a cyclical upswing and animal fat output will likely register above-trend gains.

FAS:FCA:O&P  
(A. E. Holz)

U.S. SOYBEAN SITUATION

The outlook for soybeans this season is dominated by the record large supplies resulting from this year's bumper crop. As of November 1, the 1977 crop was estimated at 45.8 million metric tons, up a third from last year. With added carryover stocks, the total 1977/78 soybean supply approaches a record 49 million tons, nearly a fifth above last season.

Although both domestic and export use is expected to increase, the gain will be less than in production, resulting in a buildup in carryover stocks. Total disappearance is expected to rise to 41.8 million tons, some 10 percent above last season. Soybean crushings are expected to approach 23 million tons, up from the 21.5 million processed in 1976/77. The increase primarily reflects more soybean meal feeding as a result of lower prices and rising livestock/poultry production. A crush of this size would utilize approximately two-thirds of industry's processing capacity, about the same as last season.

Soybean exports are estimated at 16.6 million tons, compared with 15.3 million last year. Lower U.S. prices and increased meal demand overseas will fuel the rise, despite increased competition from South American soybeans and meal. Increased overseas demand for protein meals is expected in both Western Europe and Japan as feeding of hogs and poultry increases. The USSR is expected to take around 850,000 tons of U.S. soybeans, about the same as in 1976/77. However, the U.S. will face stiffer competition in world markets this season, competing with larger supplies of Canadian rapeseed, Soviet Union sunflowerseed, Indian peanuts, Malaysian palm oil, Peruvian fish meal, as well as increased soybeans and products from South America.

Soybean prices this fall are trailing year ago levels, reflecting the increased supplies. Some price strength may occur after harvest but much will depend upon farmers' willingness to store soybeans and/or place them under CCC loan, and also the competition from Brazil and other major world oilseed producers. A substantial quantity of soybeans likely will be placed under CCC loan but actual takeover by CCC should be small. Producers use CCC loans as a source for relatively low financing costs. The U.S. average loan rate for 1977-crop soybeans is \$128.60 per ton. Prices received by farmers are expected to average about \$74 below the \$220 per M. ton of last season.

ERS:CLD  
(S. Gazelle)

## U.S. TOBACCO SITUATION

Four-fifths or 507,000 tons of the tobacco consumed each year in the United States is in the form of cigarettes. U.S. cigarette production in 1977 will be down substantially from the 693 billion produced in 1976 but should total about 676. This is about the average of the two previous years indicating a leveling off of consumption. Sales of low tar cigarettes (less than 15 milligrams of tar) are rising to offset declines for those containing more tar.

As the smoking age population continues to increase, U.S. cigarette smokers may smoke a few more in total even though per capita cigarette consumption per person, 18 years and over, may decline slightly in 1977. In 1976, around 205 packs (4,110 cigarettes) per person were used.

Consumption of large cigars in 1977 is totaling about 5.0 billion, 8 percent below 1976 and 45 percent below the 1964 peak. Also, small cigar output may fall one-fifth below the 2.5 billion total of 1976. Smoking tobacco output in 1977 is down 4 percent to an estimated 20 thousand tons, a record low. The steady downtrend suggests younger smokers are not as attracted to cigars and pipes as in years past. Next year consumption may drop further.

Snuff output is remaining about the same. By contrast, chewing output probably reached 40 thousand tons this year, 6 percent more than 1976's level. This overall gain may be associated with employment gains in mining, construction, and certain durable goods industries where smoking is either prohibited or inconvenient. Television and radio advertisements of chewing tobacco and snuff have also been stepped up.

The most notable developments for U.S. producers in 1977 were drought reduced production and a continuation of the upward price trend. Despite a slowdown in utilization and relatively high loan holdings, prices at flue-cured auctions jumped to new records. Cash receipts, however, are expected to total less in 1977 because smaller volume more than offset higher prices. Reduced yields boosted unit flue-cured production costs 23 to 26 cents per kilogram, reducing net income in drought areas. Additionally, higher input costs pushed costs up about 5 percent for yields similar to 1976. Price support levels are scheduled to rise again in 1978.

Total tobacco production is down 10 percent this season. Adding the larger carryover, total supplies for the 1977/78 marketing year are about the same as last year. Flue-cured auctions had virtually ended by mid-November with 16 percent of the crop taken under price support loan. With brisk auction bidding and higher support levels, prices averaged 7 percent above 1976's record level. Burley auctions opened November 21 and averaged \$2.66 per kilogram on opening day. This was 14.4 cents above opening day last year and 7.5 cents above the 1977 average support price.

U.S. TOBACCO TRADE

Unmanufactured tobacco exports during FY 1977 totaled 290,000 metric tons and were valued at \$1,065 million. Exports, at 30,000 tons, remained strong during September. This was up nearly 40 percent when compared to September of 1976 and boosted fourth quarter exports to 74,000 tons, 53 percent above 1976. The heavier shipments during the past three months were primarily a result of exporters' anticipation of the dock workers' strike.

Leaf tobacco exports will be depressed for the duration of the strike because almost all tobacco moves thru east coast ports and a significant part of the exports are containerized. A portion of the leaf that moved during the last quarter of FY 1977 would normally have moved in the first quarter of 1978. The distorted trade patterns caused by the strike are partially responsible for the pessimistic 1978 outlook; however, the primary reason is foreign buyer resistance to the higher prices and lower quality of the 1977 flue-cured crop.

The size of the U.S. flue-cured crop currently being sold is 17 percent below 1976 and is reported to be significantly lower in quality. The drop in output resulted from a 12 percent quota reduction combined with a severe drought during the growing season. Supplies of upper stalk leaf grades, normally desired by exporters, were proportionally even smaller than the total crop. The reduced supplies of the export grades and resulting sharply higher prices caused many foreign buyers to sharply curtail purchases.

The Japanese Tobacco Corporation, the largest leaf customer in FY 1977, is expected to reduce shipments in the current fiscal year by an estimated 5 percent to 44,000 tons. Poor quality and higher prices were given as reasons for the reduction. West German buyers cite higher prices, a shortage of desirable grades and a slump in domestic cigarette sales as reasons for a projected 10-15 percent decline in purchases in FY 1978. The same reasons were quoted by most major buyers who all project lower shipment in the 1978 fiscal year.

Given a normal crop and moderating prices in 1978, FY 1979 exports are expected to recover as foreign manufacturers rebuild stocks which will likely be drawn down in the current year.

FAS:FCA:TOB DIV.

## OUTLOOK FOR U.S. APPLE EXPORTS DURING THE 1977/78 SEASON

The outlook for U.S. apple exports during the 1977/78 season is extremely promising. The short apple crop in Western Europe, particularly in France, is expected to open up markets for American exporters which, in recent years, have been of minimal importance.

Moderate gains are anticipated in shipments to both the Far East and Latin America. Apple exporters have been cultivating markets in Singapore, Indonesia, Taiwan and Malaysia. Every season since 1970/71 has witnessed an increase in U.S. apple sales to this area.

Growth areas in Latin America include Costa Rica, Guatemala, Honduras, and Nicaragua which collectively boosted their imports by 86 percent last season. U.S. shipments to the Dominican Republic increased by 42 percent, and, in South America, apple exporters found a renewed market in Colombia as the Government relaxed import restrictions on apples.

U.S. trade opportunities will, therefore, be plentiful this season. The magnitude of the increase in this year's exports, however, will depend to a large extent on the availability of shipping space as well as the successful resolution to the dock strike along the Eastern Seaboard and in the Gulf ports.

## WORLD ALMOND CROP DIPS

Despite a record U.S. almond crop, commercial world production in 1977 declined moderately because of sharply reduced output in Spain and Portugal. The cold wave that swept through Spain during the last three days of March caused widespread damage to almond trees while heavy rains in Portugal resulted in widespread fungi infestation to almond blooms. Commercial world production for 1977 is currently estimated at 195,300 metric tons, shelled basis, about 8 percent below the 1976 outturn. Strong worldwide demand coupled with large supplies from the 1976 crop resulted in record export shipments during the 1976/77 marketing season. Demand is expected to remain high throughout 1977/78 with the prospect of another record export season.

## FILBERT OUTPUT RECOVERS

Commercial world production of filberts in 1977 is expected to recover slightly from the reduced 1976 output because of larger crops in Turkey, Spain and the United States. Production is currently estimated at 358,000 metric tons, inshell basis, 4 percent above the 1976 crop but 16 percent below the record world output in 1975. Despite the increase, a moderate decline in export volume is expected for 1977/78 as a result of the depletion of Turkey's filbert stocks during the 1976/77 season.

RECENT DEVELOPMENTS CCC EXPORT CREDIT SALES PROGRAM

PORTUGAL - Effective October 13, 1977 the Department of Agriculture announced a new \$55 million line of CCC credit to Portugal to finance export sales of U.S. wheat (\$15 mil. - 136,000 metric tons); feed grains (\$13 mil. - 144,000 MT); rice (\$13 mil. - 42,000 MT); cotton (\$12 mil. - 39,000 bales); and tallow (\$2 mil. - 5,000 MT). Credit terms provide for three-year financing with equal annual repayments of principal, plus accrued interest. Sales eligible for financing under this line of credit must be made not earlier than October 17, 1977 and exports must be completed by August 31, 1978.

IRELAND - Effective October 13, 1977 USDA announced a \$500,000 increase to the \$5.5 million current line established September 15, to finance export sales of U.S. tobacco to Ireland.

PERU - Effective October 13, 1977 USDA announced an extension of the delivery period under the line of credit established October 8, 1976, to Peru to finance sales of U.S. wheat. The delivery period is advanced from December 31, 1977 through February 28, 1978. Based upon adequate justification, CCC will consider written requests from exporters for an extension of the delivery dates for previously registered sales.

KOREA - Effective October 25, 1977 USDA announced that contracts dated prior to October 3 will be honored by CCC under the \$100 million line of CCC credit to Korea to finance export sales of U.S. cotton. This action is being taken because Korean mills have already purchased most of their needs for this fiscal year.

BOLIVIA - Effective November 9, 1977 USDA announced a new \$12.7 million line of CCC credit to Bolivia to finance export sales of U.S. wheat. This amount represents approximately 110,400 metric tons. Credit terms provide for three-year financing with equal annual repayments of principal, plus accrued interest. Sales eligible for financing under this line of credit must be made not earlier than November 11 and exports must be completed by August 31, 1978.

ELIGIBLE COMMODITIES FOR CCC EXPORT FINANCING - The following agricultural commodities are eligible for export financing under the CCC Export Credit Sales Program:

|                                  |                             |
|----------------------------------|-----------------------------|
| Almonds                          | Nonfat Dry Milk             |
| Barley                           | Oats                        |
| Breeding Cattle                  | Peanut Oil                  |
| Breeding Swine                   | Poultry (canned and frozen) |
| Corn                             | Milled and Brown Rice       |
| Cotton                           | Sorghum                     |
| Cottonseed Oil                   | Soybean Oil and Edible      |
| Dry Edible Beans                 | Soy-Protein                 |
| Dry Edible Peas                  | Sunflowerseed Oil           |
| Dried Whey Products              | Tallow                      |
| Eggs (dried, frozen, and canned) | Tobacco                     |
| Hog Grease                       | Wheat/Wheat Flour           |

INTEREST RATES - CCC Credit provides short-term commercial financing for periods ranging from six months to a maximum of three years. Current interest rates for six and twelve-month repayment terms are 7 percent with a U.S. bank and 8 percent with a foreign bank repayment guarantee. For two-year repayment terms the rates are 7-1/2 and 8-1/2 percent, and for terms in excess of two years, 8 and 9 percent.

OGSM:CEP  
(Mary McMaster)

PRODUCTION OF THE USSR FOOD INDUSTRY  
January-October 1977

Published 10-month food data continue to show processed meat production well above the 1976 level, but ten percent below peak 1975 output. In view of October data, it appears unlikely that 1977 meat production will significantly exceed plan as state processed meat is normally 62-66 percent of total output. Monthly production (including non-centralized) must remain at or above 800,000 tons for the last two months of the year if the 14.5 million ton target is to be attained. This level of end-of-year production has not been achieved since 1974. Vegetable oil output appears to be recovering. Improved performance may be the result of new sunflower crop which appears to be the best in three years.

Centralized sector only, January-October, (million metric tons):

|            | Jan-Oct<br>1977 | Jan-Oct<br>1976 | 1977 as<br>percent<br>1976 | 1977 as<br>percent<br>1975 |
|------------|-----------------|-----------------|----------------------------|----------------------------|
| Meat       | 7.0             | 6.249           | 112                        | 90                         |
| Sausage    | 2.4             | 2.317           | 102                        | 101                        |
| Butter     | 1.293           | 1.144           | 113                        | 114                        |
| Whole Milk | 20.1            | 19.3            | 104                        | 102                        |
| Veg. Oil   | 2.070           | 1.916           | 108                        | 86                         |

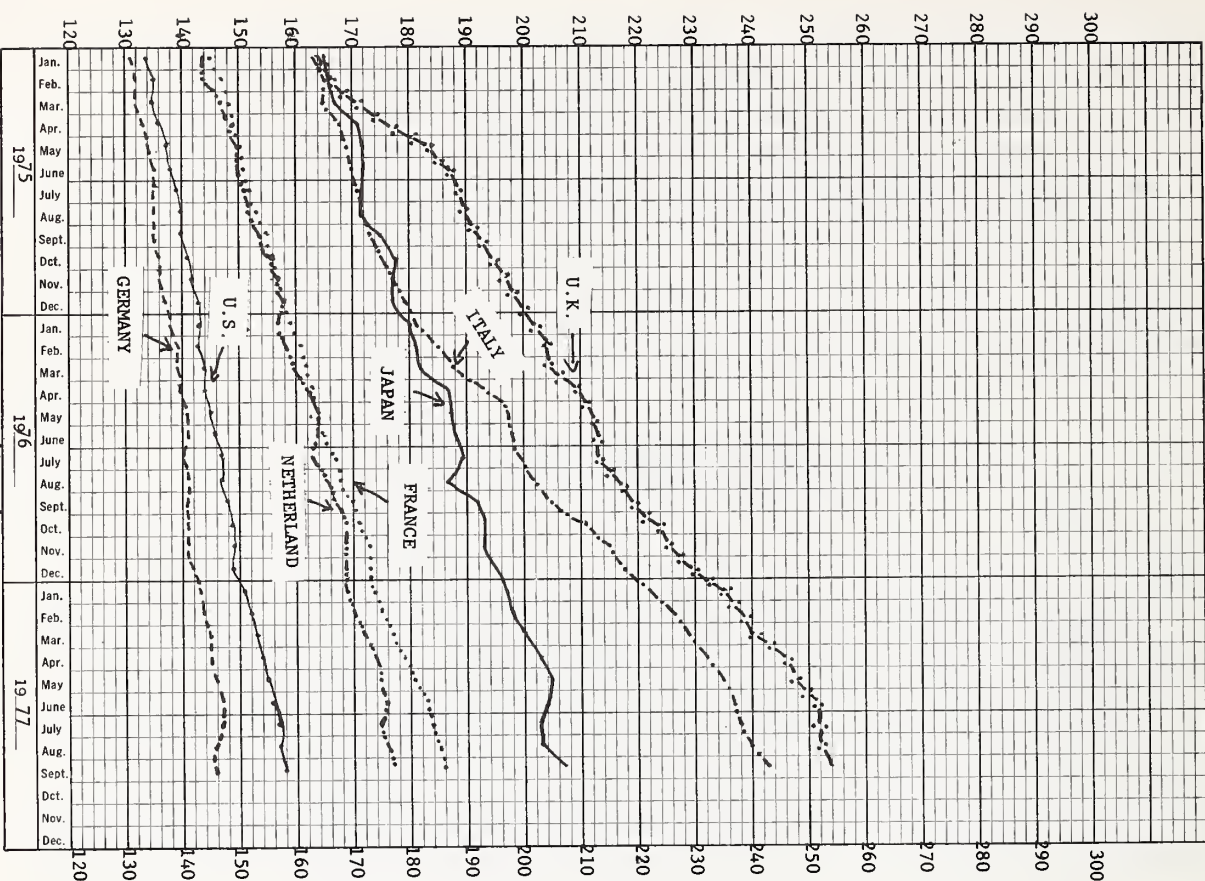
Centralized sector only, October (thousand metric tons):

|            | October<br>1977 | October<br>1976 | 1977 as<br>percent<br>1976 | 1977 as<br>percent<br>1975 |
|------------|-----------------|-----------------|----------------------------|----------------------------|
| Meat       | 900.0           | 865.0           | 104                        | 90                         |
| Sausage    | 300.0           | 100.0           | 300                        | 100                        |
| Butter     | 88.0            | 89.0            | 99                         | 111                        |
| Whole Milk | 2,000.0         | 1,900.0         | 105                        | 105                        |
| Veg. Oil   | 326.0           | 300.0           | 109                        | 98                         |

FAS:FCA:SPD (D. Lumley)  
SOURCE: Ag Attache

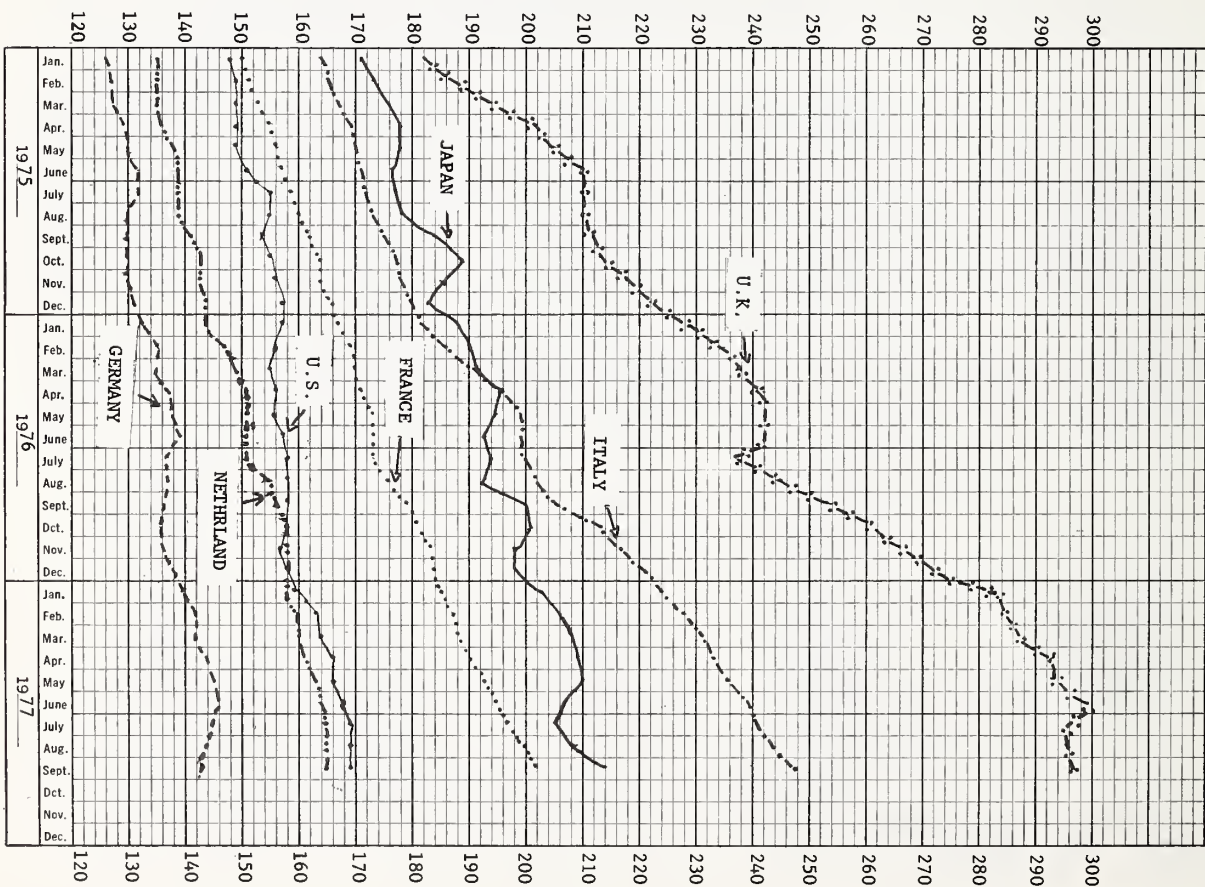
# CONSUMER PRICE INDEX

Base Year 1970 = 100



# FOOD PRICE INDEX

Base Year 1970 = 100



FAS: FCA: SPD

U.S. Unadjusted.

THE BREAD BASKET

The U.S. September Food Price Index (FPI) released in late October shows the first decline since November 1976. Lower prices for fresh fruits and vegetables accounted for much of the decrease. Germany's September FPI also dropped (.7%)--the second published decline for that country.

There appears to be a gradual slowing of food price increases (as reflected by the FPI) in all the 15 countries surveyed. In some cases governments are moving to control rising food costs. Denmark, for example, on October 3 boosted its value-added tax from 15 percent to 18 percent on all food products, with some relief provided consumers in the form of Government subsidies. In Australia, the recent decline in the rate of inflation has been cited as the major factor in the stabilization of food prices. The current drought there is not expected to have any significant impact on food prices.

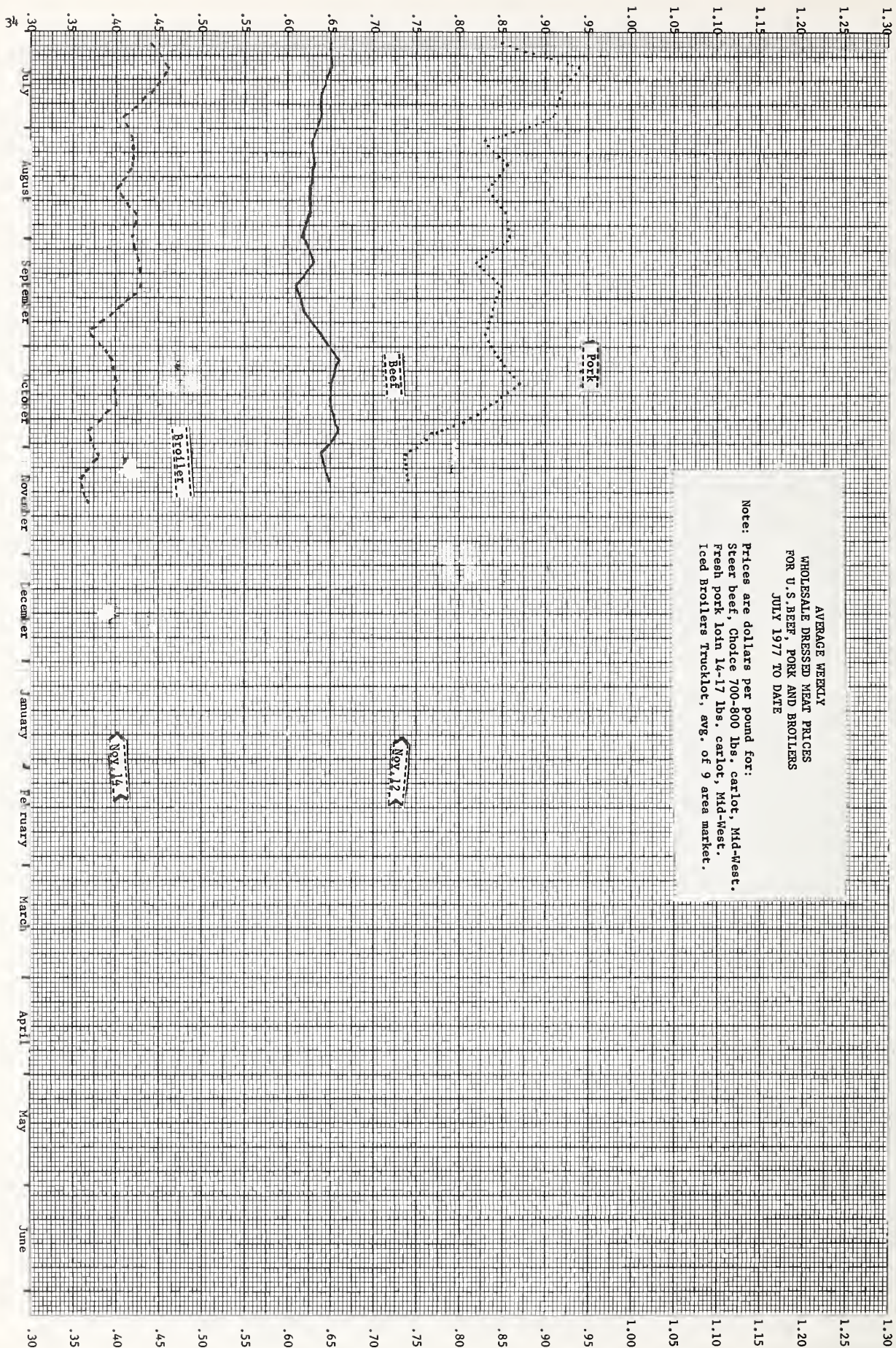
In meat sections of food stores shopped in 15 capitals, better cuts of beef generally were cheaper on November 2 than on September 7, the date of the previous price survey. In Brussels, however, retail beef prices were at high levels, with chuck roast up 2.7 percent from the September level to a new high. Fresh pork prices in the Belgian capital were 2.4 percent lower in November than in September, and chops and boneless loin were 9 percent below the record levels of September 1976. However, bacon prices were up 3.8 percent from the September level to a new high.

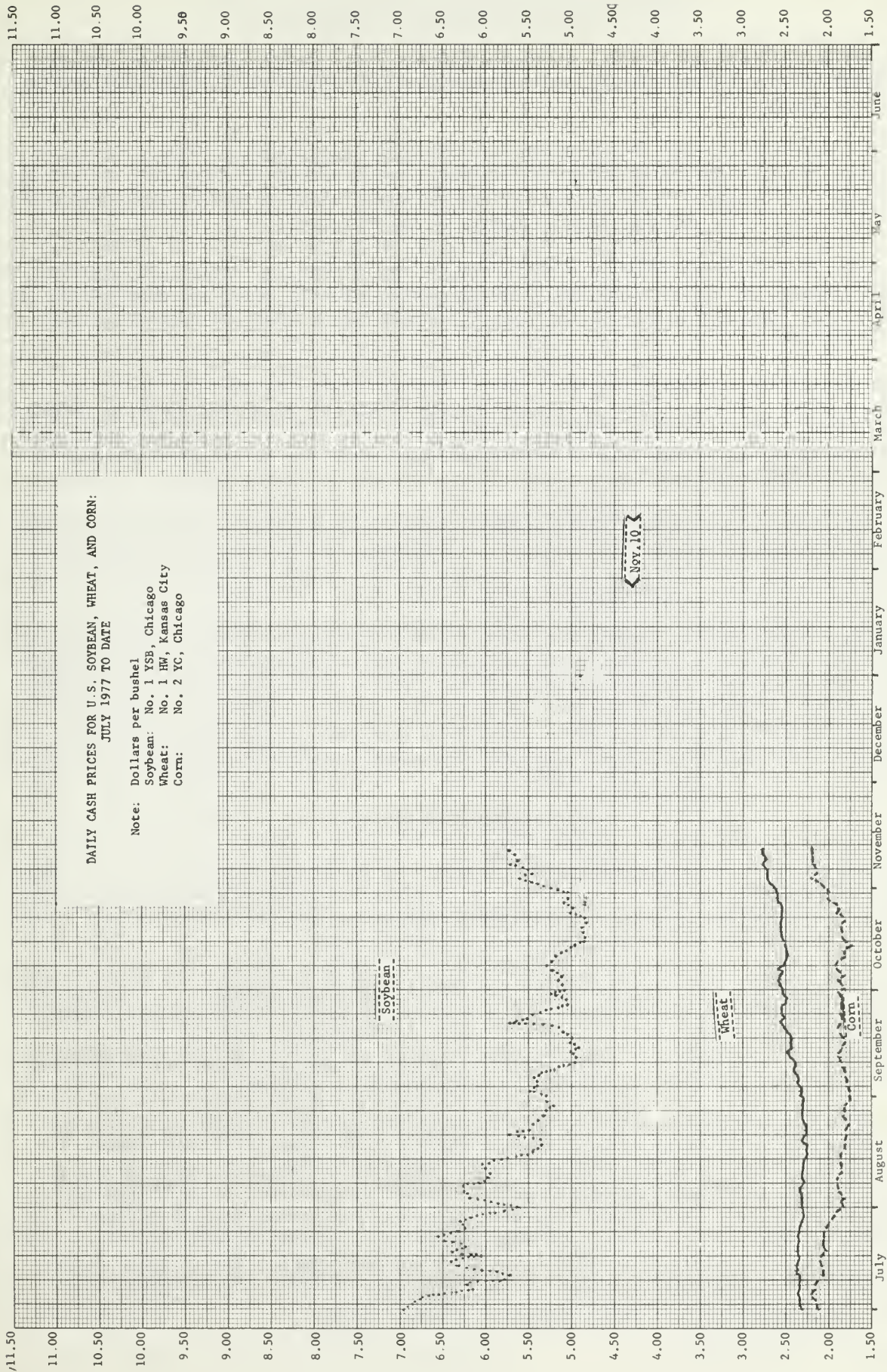
In Brazil, fresh beef again was available in the major consuming centers of Brasilia, Rio de Janeiro, and Sao Paulo--and at prices comparable to those posted in September for frozen beef. Meat prices in Buenos Aires on November 2 were higher than those of 2 months earlier, following increases in cattle prices. The recent easing of beef prices in London is attributed largely to expanded imports of meat and slaughter cattle from Ireland. Reduced wholesale prices of pork have not been fully reflected at the retail level.

Broiler prices in Brussels were down 8.3 percent from the abnormally high level reached 2 months earlier. In London, broiler prices continued the downward trend that has been evident there since July. Ottawa's broiler prices were steady, but the Canadian Egg Marketing Agency has rolled back egg prices for the second time this year, citing lower feed costs. In Rome, eggs were priced at \$1.23 per dozen--a near record.

In Brussels, prices for Gouda cheese were 8 percent lower than in September--the lowest price level for this item since September 1976. Prices for dairy products in Buenos Aires were higher in November than in September, following a rise in the price of milk to producers.

Out of 15 capitals surveyed, 14 reported lower cooking oil costs to consumers following low world market prices for soybeans several months ago. Rice was up in 10 of the 15 capitals reflecting recent strength in world market prices. Sugar prices generally were steady with only 6 capitals reporting a slight upward trend. The huge potato crop in Europe has forced prices down in most European countries. Elsewhere, potato prices were slightly up.





ST. LAWRENCE SEAWAY TOLL INCREASES

The Advisory Board of the St. Lawrence Seaway Development Corporation met on November 11, 1977, to discuss, among other items, proposed St. Lawrence Seaway toll increases.

The St. Lawrence Seaway Development Corporation, Department of Transportation, operates the St. Lawrence Seaway in conjunction with the St. Lawrence Seaway Authority of Canada. Toll levels are established jointly and revenues resulting from the tolls are divided between the two entities.

The toll increases would be the first since the Seaway was opened to ocean-going vessels in 1959. Even so, comments from industry indicate opposition to any toll increases, with some opponents advocating that the current tolls be eliminated.

After reviewing industry comments, the Advisory Board recommended that tolls be increased. The new tolls as proposed would amount to an increase of about 25 cents per short ton on grain and about \$1.07 per short ton on general cargo. These increases are less than those originally proposed by the St. Lawrence Seaway Authority of Canada.

The Advisory Board did recommend that consideration be given to phasing in of the increases, but existing revenue requirements, as well as persuasion from the Canadians, will probably result in implementation of the increases (in entirety) for the 1978 shipping season.

Although consideration of any toll increase is opposed by Great Lakes shipping interests, the increased tolls on grain will probably not have any detrimental effect on movements from the Great Lakes. The increased toll rates on general cargo might be sufficient to cause diversion of some cargoes that have moved from the Great Lakes in the past. However, diversion of such cargoes is expected to be minimal, with no projections possible at this point as to the precise amount of cargo that might be lost to other coastal ranges.

LONGSHOREMEN'S STRIKE

The Longshoremen's Strike against container and barge-type vessels on the East and Gulf Coasts is still in effect as of November 17, 1977. The strike was called by the International Longshoremen's Association (ILA) on October 1, 1977, after the previous three-year contract had expired.

The basic problem in reaching agreement has been the insistence of the ILA for a guaranteed annual income provision covering all ports from Maine to Texas. Those ports not affected by container operations are, not surprisingly, reluctant to subsidize the Longshoremen's Union for jobs lost in those ports which have made extensive conversions to container operations.

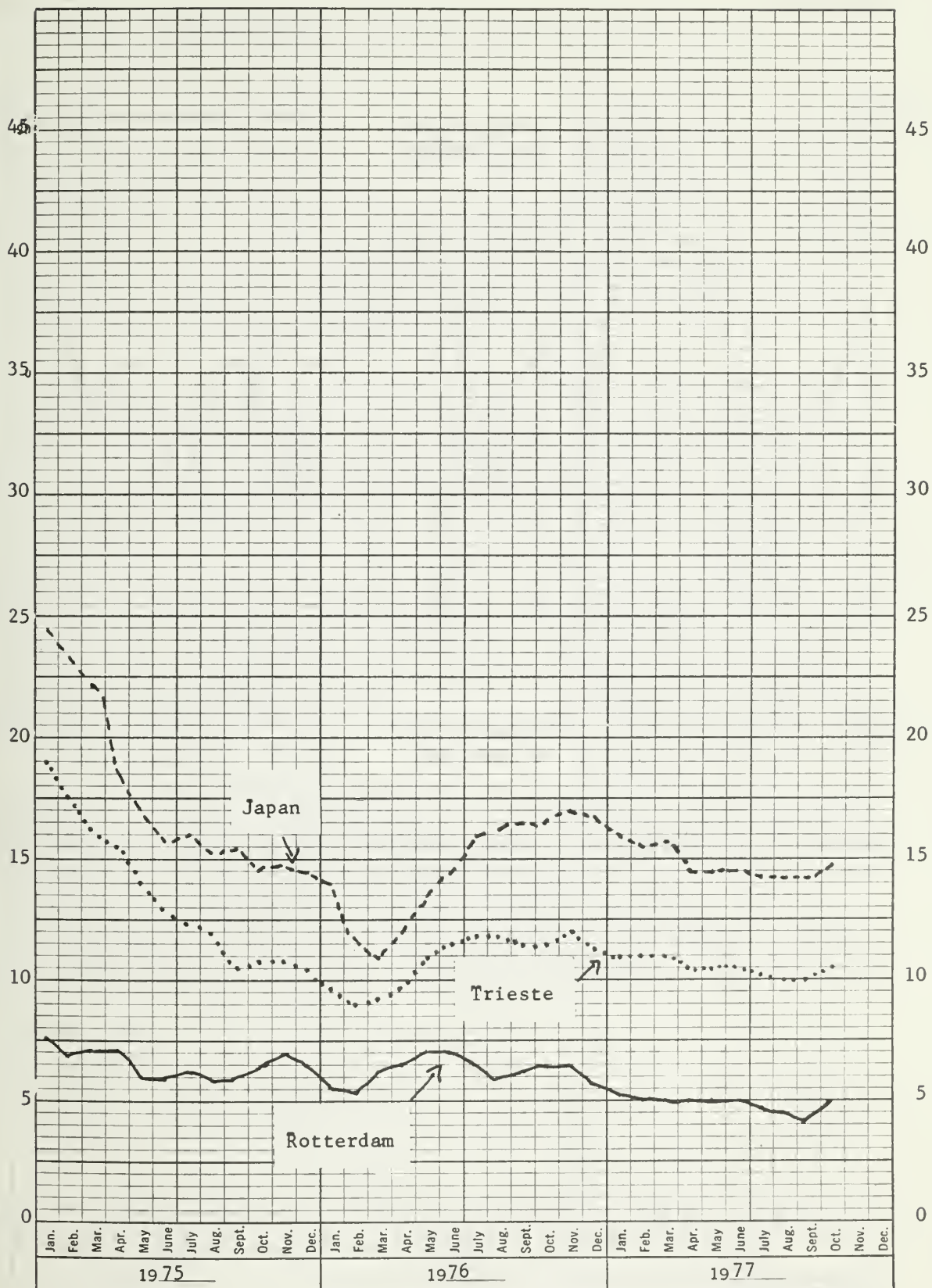
The ILA agreed to basic terms with North Atlantic ports on November 12, 1977; but before the strike is ended, those terms must be agreed to by ports in the South Atlantic and Gulf ranges. As of today (November 17, 1977) most of the South Atlantic and Gulf ports have rejected those terms. Spokesmen for some of these ports have indicated that they have no intention of making settlement under the liberal terms agreed to by the North Atlantic ports.

Although the strike may be ended in the very near future, normal operations cannot be expected to resume prior to early December.

ESTIMATED OR CURRENT SHIPPING RATES FOR GRAIN  
FOR U.S. GULF PORTS TO VARIOUS DESTINATIONS  
(FOR VESSELS LOADING SIX WEEKS AHEAD)

37

( U.S. DOLLARS PER METRIC TON )

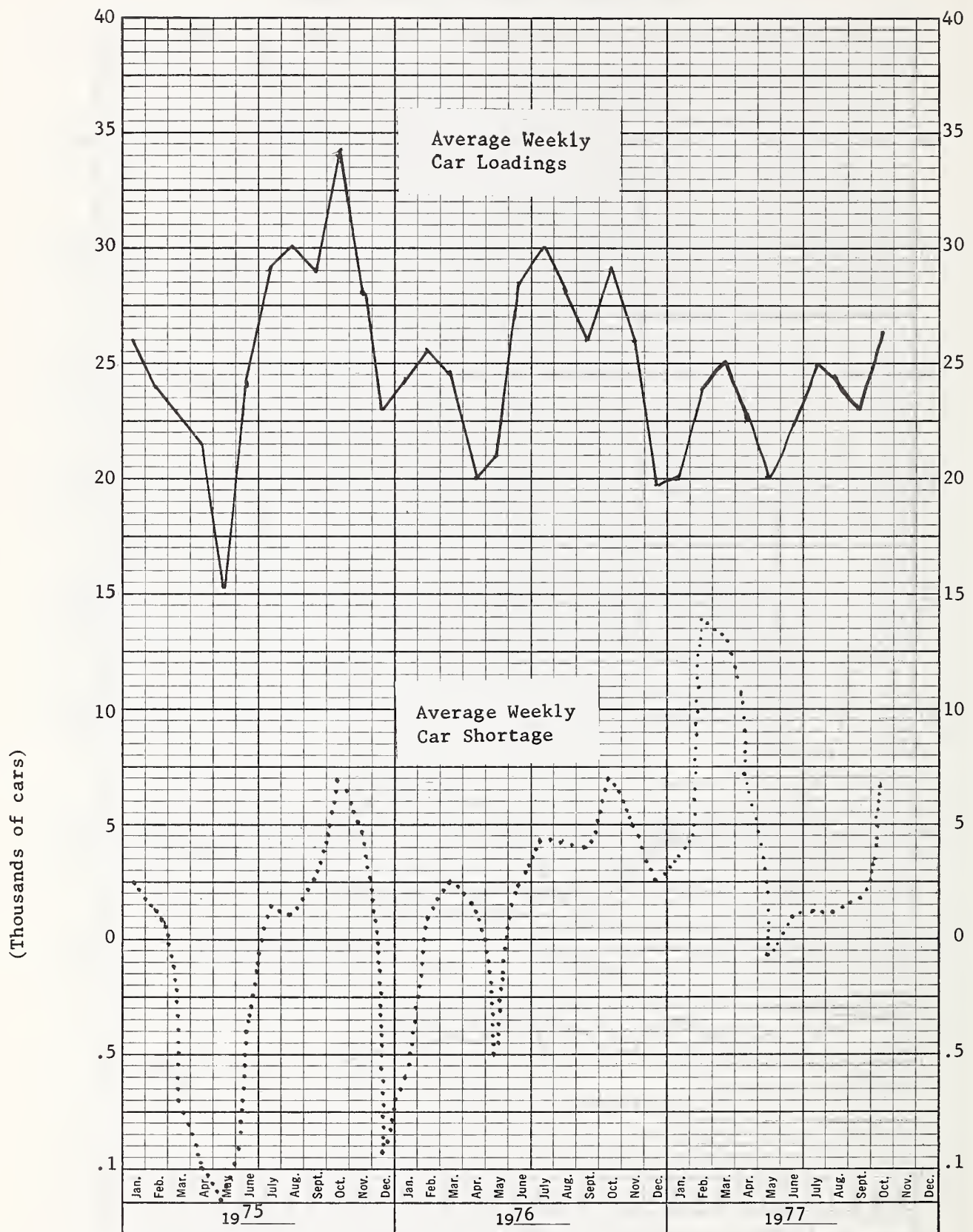


FAS:FCA:SPD

Japan: Vessels carrying up to 20,000 Long Tons

Source -OGSM Ocean Transportation Division

U.S.GRAIN: AVERAGE WEEKLY RAIL CAR LOADINGS  
AND CAR SHORTAGES, 1975-1977



FAS:FCA:SPD  
Source: ASCS

JAPAN ANNOUNCES MEASURES TO PROMOTE IMPORTS

Japan has recently announced plans to reduce tariffs, expand import quotas, and increase purchases of key agricultural and nonagricultural products in order to reduce its trade surplus by \$2-3 billion before the end of its fiscal year (April 1977-March 1978). The ultimate impact of the program on agricultural products is uncertain, however, it will have only a marginal effect on U.S. agricultural exports to Japan for U.S. FY 1978. It is estimated that the total value of increased agricultural imports under the program will be at between \$35-50 million. The value of U.S. exports of the products specifically mentioned is expected to increase by about \$12-15 million. The total value of U.S. farm products to Japan in FY 77 was \$3.9 billion.

Specific plans have been made for an expanded beef import quota and increased purchases of grains. The beef import quota has been increased from 40,000 to 50,000 metric tons, which is still substantially lower than the 1973 semi-annual levels of 80,000 metric tons. If the U.S. maintains a 10 percent share of the market and beef prices are constant, this expanded import quota would represent \$2 million in additional U.S. beef exports by March 1978. In the last 4 years, the U.S. share has ranged from 8 to 15 percent. Aside from moving up purchases of feedgrain normally bought between January-March to before the end of CY 1977, an additional 230,000 metric tons of grains--100,000 metric tons of wheat, 100,000 metric tons of corn, 30,000 metric tons of barley--will be purchased before March 1978. This could mean additional U.S. exports of \$12.5 million of those grains, if the U.S. maintains its 1976 share and prices remain constant. Increased purchases of soybeans and expanded import quotas on various fishery products has also been mentioned.

In October, Japan announced tariff quotas on industrial corn, oats, and fishmeal for the October-March period. These measures are not a part of the import promotion program. The quota on oats was expanded 25 percent and that on fishmeal 27 percent, while the quota on industrial corn was decreased by 5 percent over the previous six-month level. The U.S. supplies about 50 percent of Japan's industrial corn, however, the tariff quota decrease is not expected to have a significant effect on U.S. exports in U.S. FY 1978. The U.S. does not export oats or fishmeal to Japan.

ERS:FD CD:DC  
(W.T. Coyle)

PEOPLE'S REPUBLIC OF CHINA AGRICULTURAL SITUATION  
THROUGH OCTOBER 1977

In general the 1977 PRC crop improved as the year progressed. With the exception of late rice and cotton, the 1977 harvest has been completed. Preliminary estimates of the harvests have ranged from good to fairly good. Production of rice, miscellaneous grains, soybeans, and oil-bearing crops are expected to increase over last year. Although losses from the winter cold and early spring drought held wheat production down (estimated at 3 million tons below the 1976 level), preliminary total grain production estimates show a small increase in 1977. In spite of the incomplete cotton harvest, current estimates show a small decrease below 1976's crop. Moisture and temperature conditions for winter wheat and other overwintering crops have been generally favorable to date. In many areas, this year's fall harvesting has been ahead of last year's and winter crops have been planted on schedule.

Recent development policy proposals have been made which may increase China's agricultural production through more efficient resource allocation and better management and coordination; and increase demand for superior farm products due to higher incomes.

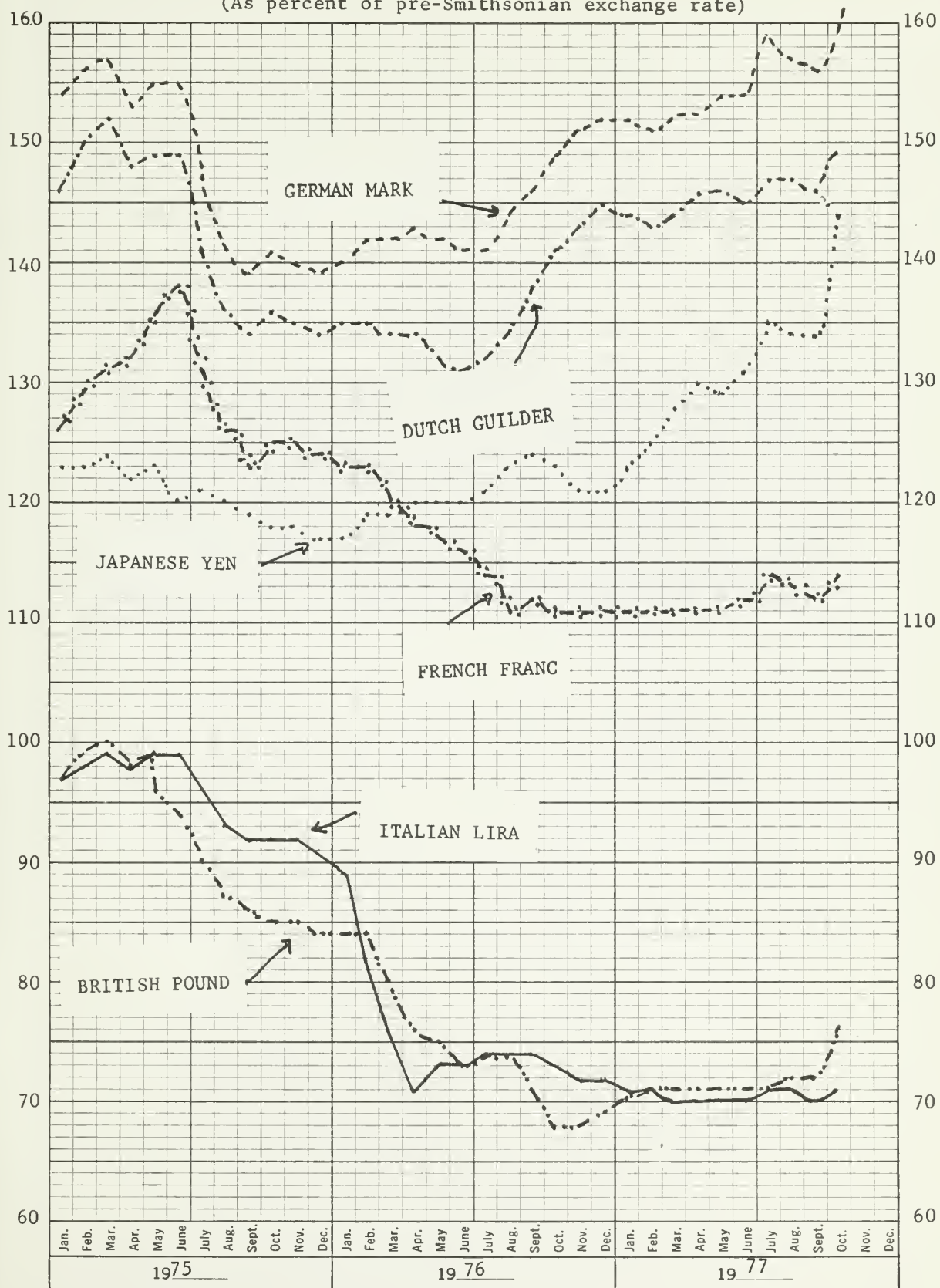
U.S. agricultural products are beginning to move on a limited basis into the PRC. The largest monthly shipment of U.S. farm products--\$1.1 million of tallow--since 1975 was made in September. In addition, 173,000 bales of U.S. cotton has been purchased for 1977/78 delivery. It has also been reported that 25,000 tons of U.S. soybean oil was recently purchased by China for shipment in the near future, with the possibility of additional substantial purchases. The U.S. may also be the likely supplier of grains for 1977/78 delivery, if China makes significant additional purchases. At least 24,000 tons of soybeans have been purchased in the U.S. Optional origin sales of 113 thousand tons are still registered with USDA, some of which may also come from the United States.

ERS:FD CD:CPC  
(C.Y. Liu)

RECENT TRENDS IN EXCHANGE RATES OF SIX MAJOR CURRENCIES  
AGAINST THE U.S. DOLLAR

41

(As percent of pre-Smithsonian exchange rate)





## FOREWORD

1. The **Economic Indicators Weekly Review** provides up-to-date information on changes in the domestic and external economic activities of the major non-Communist developed countries. To the extent possible, the **Economic Indicators Weekly Review** is updated from press ticker and Embassy reporting, so that the results are made available to the reader weeks—or sometimes months—before receipt of official statistical publications. US data are provided by US government agencies.

2. Source notes for the **Economic Indicators Weekly Review** are revised every few months. The most recent date of publication of source notes is 20 October 1977. Comments and queries regarding the **Economic Indicators Weekly Review** are welcomed.

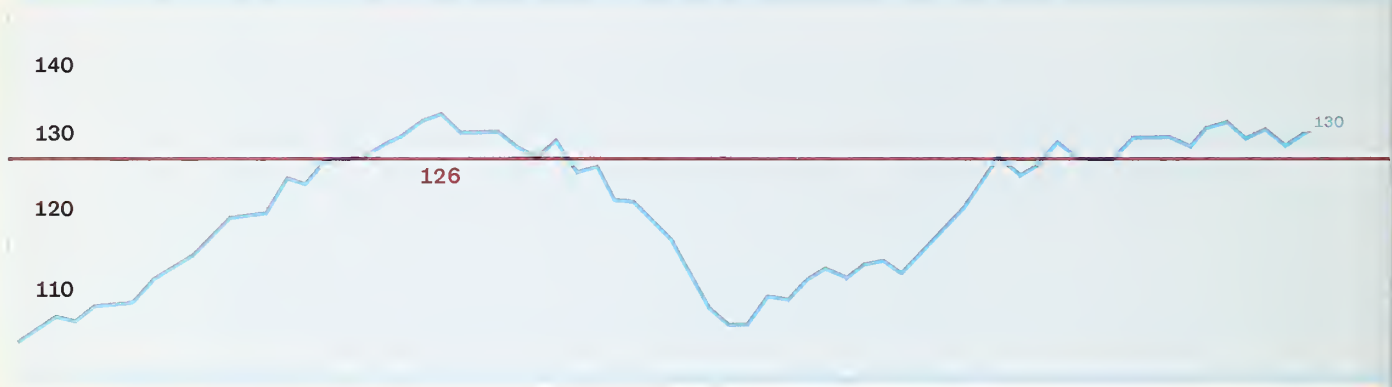
# INDUSTRIAL PRODUCTION INDEX: 1970=100, seasonally adjusted

## United States

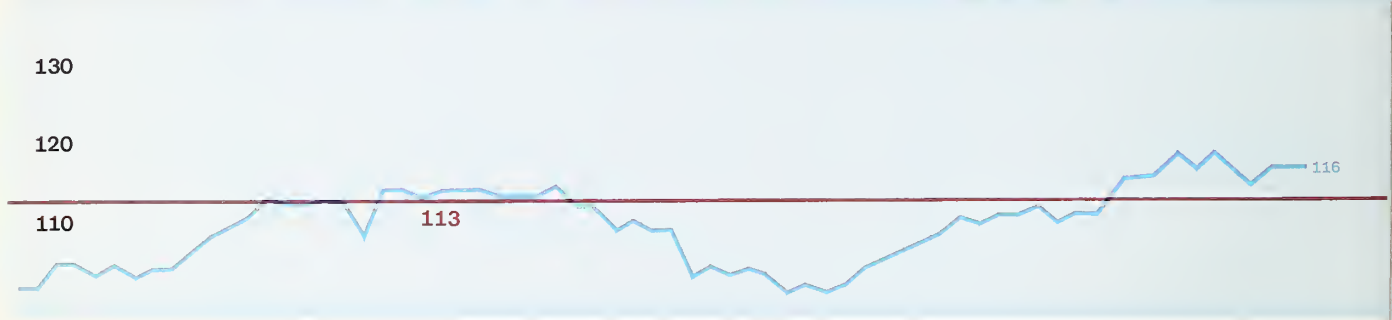
Semilogarithmic Scale



## Japan



## West Germany



## France



United Kingdom

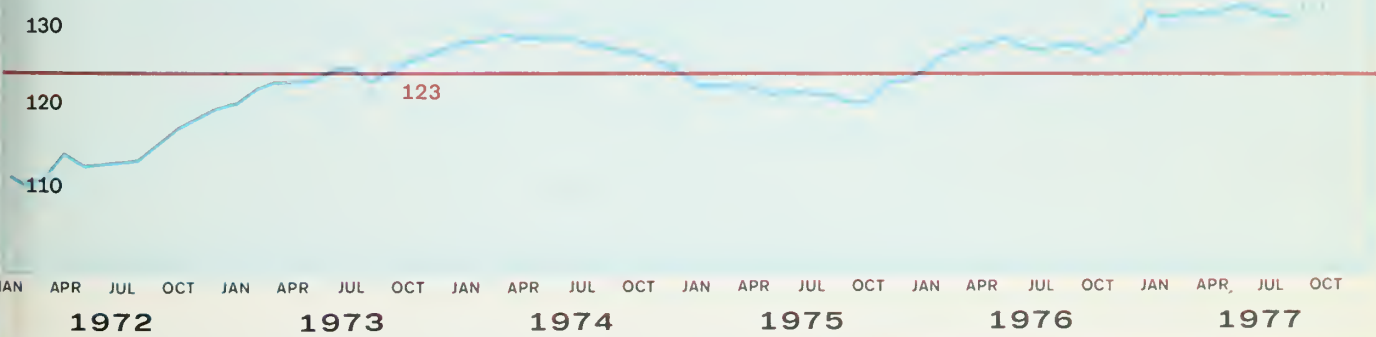
Semilogarithmic Scale



Italy



Canada



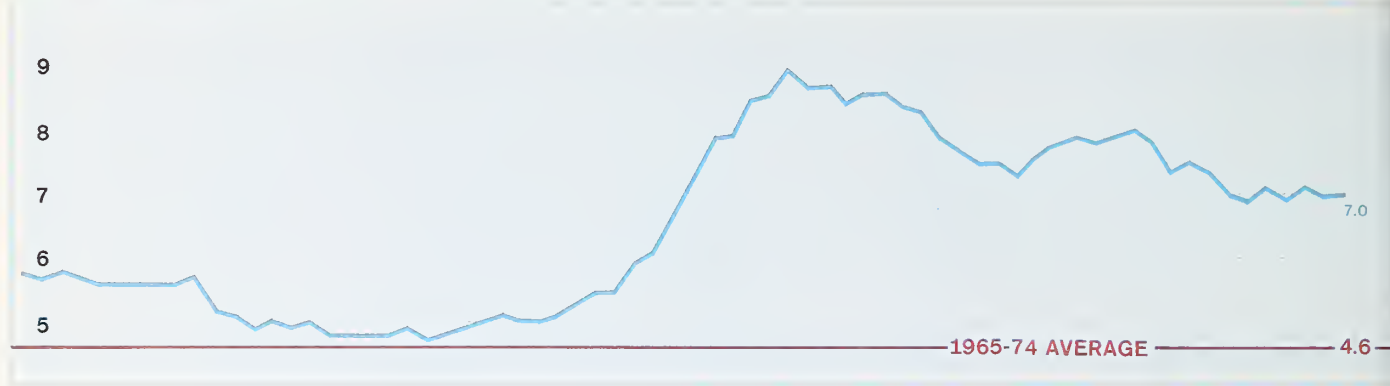
|               | LATEST MONTH | Percent Change from Previous Month | AVERAGE ANNUAL GROWTH RATE SINCE |                |                               |
|---------------|--------------|------------------------------------|----------------------------------|----------------|-------------------------------|
|               |              |                                    | 1970                             | 1 Year Earlier | 3 Months Earlier <sup>1</sup> |
| United States | SEP 77       | 0.4                                | 1.0                              | 1.2            | 1.4                           |
| Japan         | AUG 77       | 0.1                                | 1.2                              | 1.3            | 1.4                           |
| West Germany  | AUG 77       | 0.1                                | 2                                | -7             | 1                             |
| France        | AUG 77       | 0.1                                | 1.1                              | 1.2            | 1.3                           |

|                | LATEST MONTH | Percent Change from Previous Month | AVERAGE ANNUAL GROWTH RATE SINCE |                |                               |
|----------------|--------------|------------------------------------|----------------------------------|----------------|-------------------------------|
|                |              |                                    | 1970                             | 1 Year Earlier | 3 Months Earlier <sup>1</sup> |
| United Kingdom | SEP 77       | 0.2                                | 1.0                              | 1.1            | 1.2                           |
| Italy          | SEP 77       | 0.1                                | 1.1                              | 1.2            | 1.3                           |
| Canada         | SEP 77       | 0.1                                | 1.0                              | 1.1            | 1.2                           |

<sup>1</sup>Average for latest 3 months compared with average for previous 3 months.

# UNEMPLOYMENT PERCENT OF LABOR FORCE

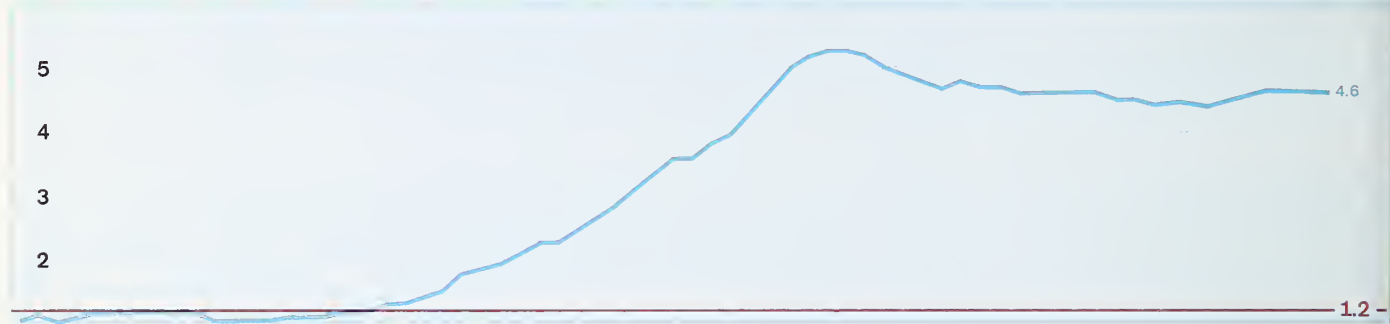
## United States



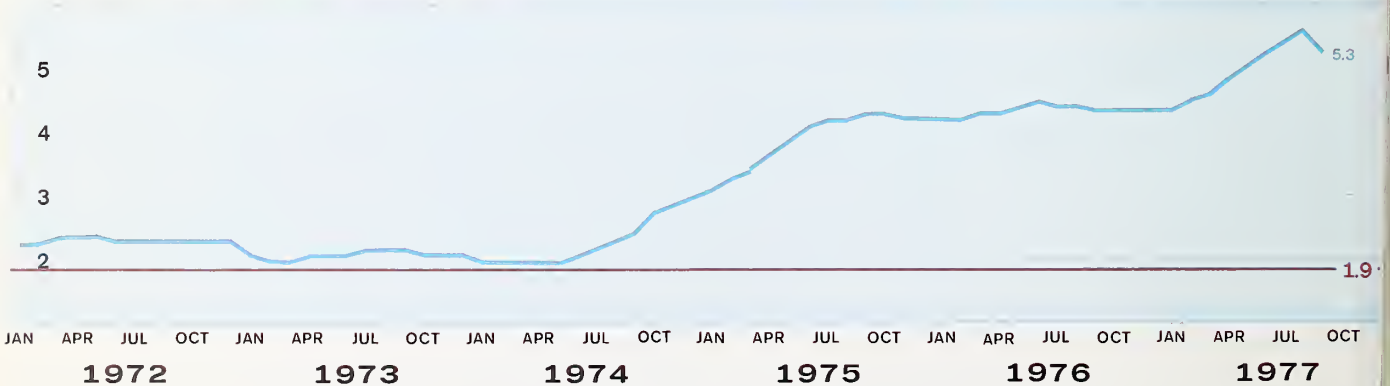
## Japan



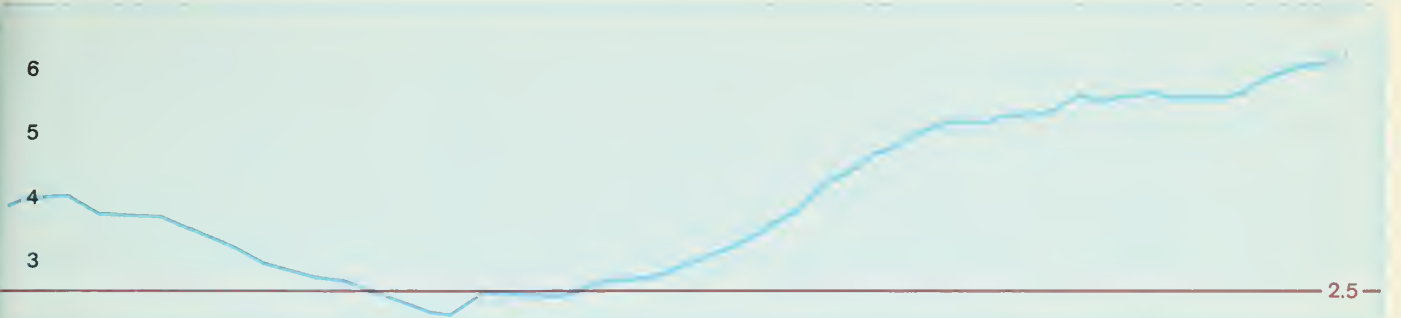
## West Germany



## France



United Kingdom



Italy (quarterly)



A labor force survey based on new definitions of economic activity sharply raised the official estimate of Italian unemployment in first quarter 1977. Data for earlier periods thus are not comparable. Italian data are not seasonally adjusted.

Canada



THOUSANDS OF PERSONS UNEMPLOYED

|               | LATEST MONTH |       | 1 Year Earlier | 3 Months Earlier |                | LATEST MONTH |       | 1 Year Earlier | 3 Months Earlier |
|---------------|--------------|-------|----------------|------------------|----------------|--------------|-------|----------------|------------------|
| United States | DEC 77       | 6 772 | 7 004          | 6 744            | United Kingdom | SEP 77       | 4 100 | 4 000          | 4 000            |
| Japan         | SEP 77       | 1 200 | 1 200          | 1 200            | Italy          | 7 III        | 1 200 | 1 200          | 1 200            |
| West Germany  | SEP 77       | 1 146 | 1 134          | 1 145            | Canada         | SEP 77       | 1 100 | 1 100          | 1 100            |
| France        | SEP 77       | 1 100 | 940            | 1 100            |                |              |       |                |                  |

NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan, Italy and Canada are roughly comparable to US rates. For 1975-77, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased by 20 percent to be roughly comparable with US rates.

1980 X 10

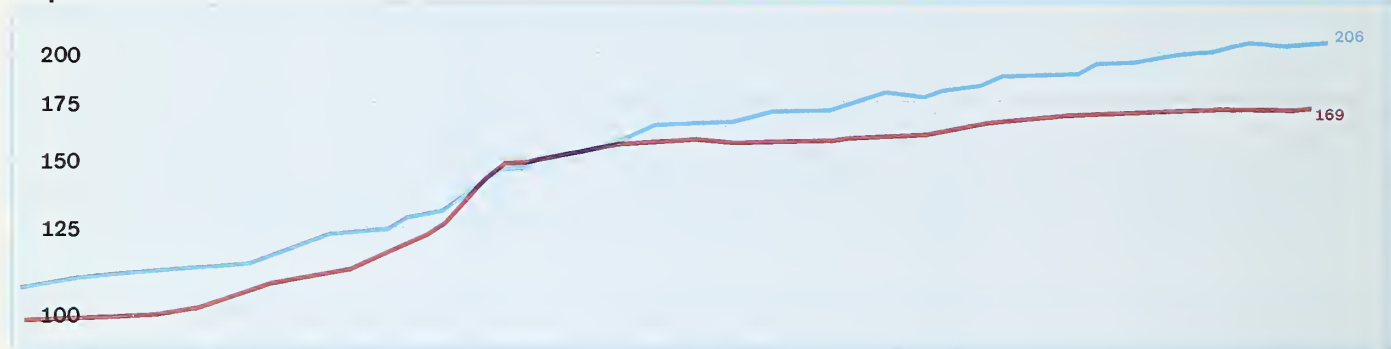
# DOMESTIC PRICES<sup>1</sup> INDEX: 1970=100

## United States

Semilogarithmic Scale



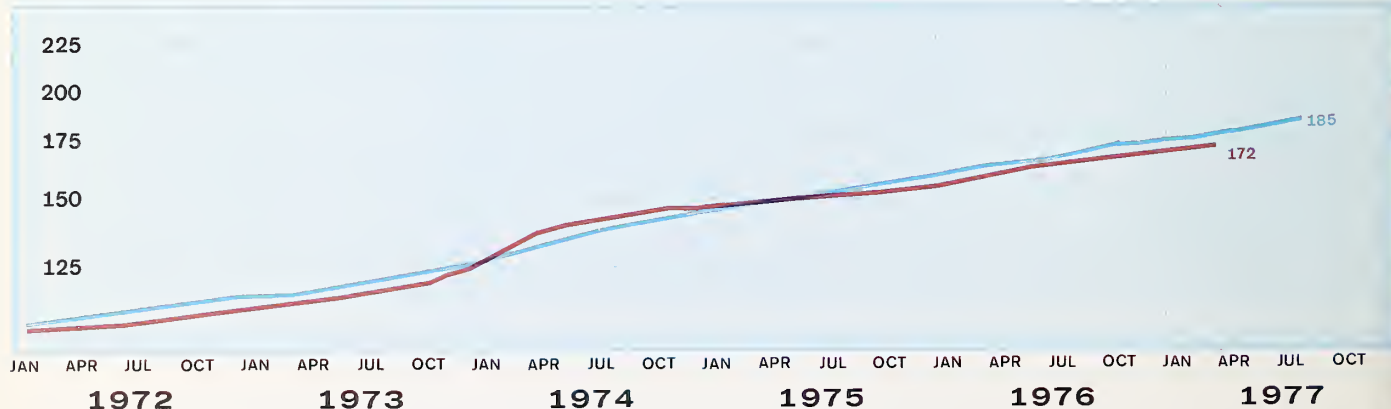
## Japan



## West Germany



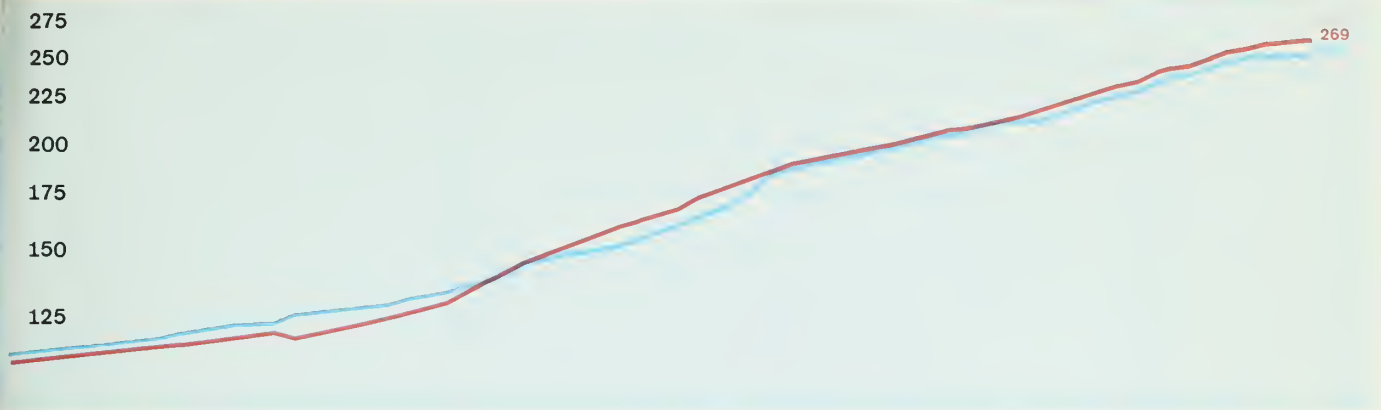
## France



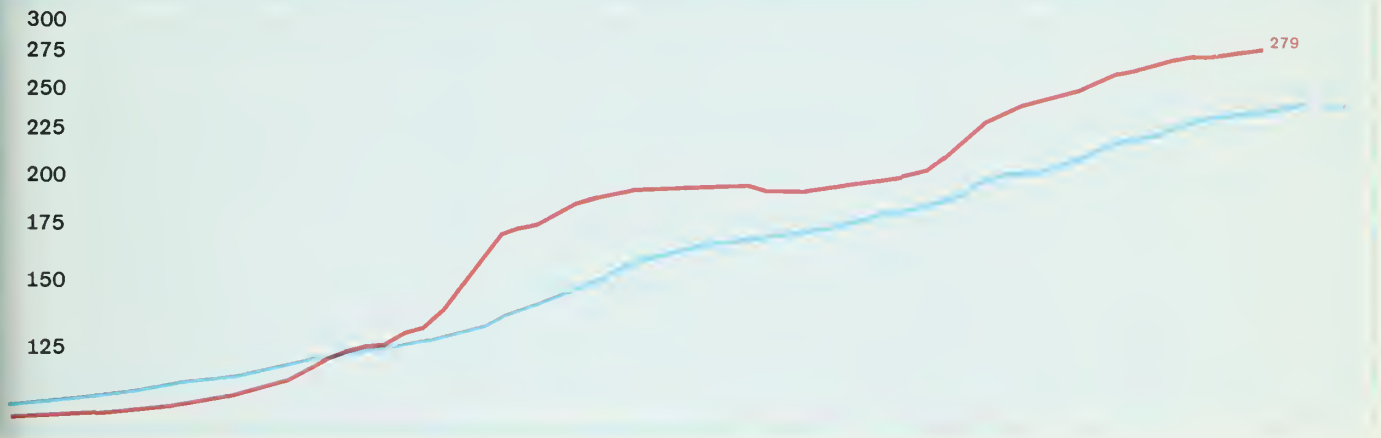
<sup>1</sup>Wholesale price indexes cover industrial goods.

United Kingdom

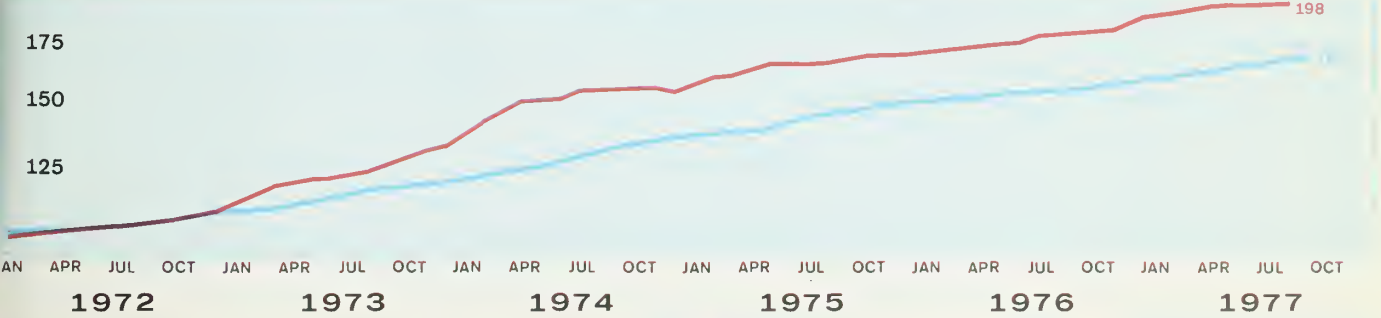
Semilogarithmic Scale



Italy



Canada



|               | LATEST MONTH     | Percent Change from Previous Month | AVERAGE ANNUAL GROWTH RATE SINCE |                |                  |
|---------------|------------------|------------------------------------|----------------------------------|----------------|------------------|
|               |                  |                                    | 1970                             | 1 Year Earlier | 3 Months Earlier |
| United States | OCT 77<br>AUG 77 | 0.7<br>1.4                         | 8.5<br>6.6                       | 6.9<br>6.6     | 6.9<br>6.1       |
| Japan         | AUG 77<br>SEP 77 | 0.2<br>1.8                         | 7.6<br>10.8                      | 0.8<br>3.8     | -2.3<br>8.2      |
| West Germany  | AUG 77<br>SEP 77 | -0.1<br>0.1                        | 5.2<br>6.6                       | 1.9<br>3.7     | 0.3<br>1.4       |
| France        | MAR 77<br>AUG 77 | 0.9<br>0.5                         | 8.4<br>9.0                       | 8.2<br>6.0     | 7.6<br>9.0       |

|                | LATEST MONTH | Percent Change from Previous Month | AVERAGE ANNUAL GROWTH RATE SINCE |                |                  |
|----------------|--------------|------------------------------------|----------------------------------|----------------|------------------|
|                |              |                                    | 1970                             | 1 Year Earlier | 3 Months Earlier |
| United Kingdom | SEP 77       | 0.4                                | 14.7                             | 19.0           | 10.8             |
| Italy          | JUL 77       | 0.3                                | 15.7                             | 14.7           | 5.0              |
| Canada         | AUG 77       | 0.4                                | 10.1                             | 9.8            | 7.9              |

**GNP <sup>1</sup>****Constant Market Prices**

|                | Latest<br>Quarter | Percent Change<br>from Previous<br>Quarter | Average<br>Annual Growth Rate Since |                   |                     |
|----------------|-------------------|--------------------------------------------|-------------------------------------|-------------------|---------------------|
|                |                   |                                            | 1970                                | 1 Year<br>Earlier | Previous<br>Quarter |
|                |                   |                                            |                                     |                   |                     |
| United States  | 77 III            | 0.9                                        | 3.2                                 | 4.6               | 3.8                 |
| Japan          | 77 II             | 1.9                                        | 5.6                                 | 5.6               | 7.6                 |
| West Germany   | 77 II             | -0.2                                       | 6.3                                 | 2.4               | -1.0                |
| France         | 76 IV             | 0                                          | 3.9                                 | 4.9               | 0                   |
| United Kingdom | 77 I              | -1.9                                       | 1.6                                 | -1.3              | -7.5                |
| Italy          | 76 IV             | 1.1                                        | 3.0                                 | 5.5               | 4.6                 |
| Canada         | 77 II             | -0.6                                       | 4.9                                 | 0.5               | -2.4                |

<sup>1</sup> Seasonally adjusted.**RETAIL SALES <sup>1</sup>****Constant Prices**

|                | Latest<br>Month | Percent Change<br>from Previous<br>Month | Average<br>Annual Growth Rate Since |                   |                                  |
|----------------|-----------------|------------------------------------------|-------------------------------------|-------------------|----------------------------------|
|                |                 |                                          | 1970                                | 1 Year<br>Earlier | 3 Months<br>Earlier <sup>2</sup> |
|                |                 |                                          |                                     |                   |                                  |
| United States  | Sep 77          | -1.4                                     | 2.9                                 | 4.2               | -0.6                             |
| Japan          | Jun 77          | -0.1                                     | 9.8                                 | 2.6               | 1.4                              |
| West Germany   | Aug 77          | 3.4                                      | 2.9                                 | 7.9               | 14.5                             |
| France         | Jun 77          | 7.7                                      | -0.3                                | 1.0               | -8.1                             |
| United Kingdom | Sep 77          | -0.7                                     | 1.0                                 | -2.2              | 12.2                             |
| Italy          | Apr 77          | -0.4                                     | 2.8                                 | 1.0               | -3.1                             |
| Canada         | Jul 77          | 3.0                                      | 4.4                                 | 0.6               | -2.8                             |

<sup>1</sup> Seasonally adjusted.<sup>2</sup> Average for latest 3 months compared with average for previous 3 months.**FIXED INVESTMENT <sup>1</sup>****Non-residential; constant prices**

|                | Latest<br>Quarter | Percent Change<br>from Previous<br>Quarter | Average<br>Annual Growth Rate Since |                   |                     |
|----------------|-------------------|--------------------------------------------|-------------------------------------|-------------------|---------------------|
|                |                   |                                            | 1970                                | 1 Year<br>Earlier | Previous<br>Quarter |
|                |                   |                                            |                                     |                   |                     |
| United States  | 77 III            | 1.0                                        | 2.1                                 | 7.8               | 4.2                 |
| Japan          | 77 II             | 0.5                                        | 1.1                                 | 4.5               | 2.0                 |
| West Germany   | 77 II             | -1.6                                       | 0.4                                 | 3.4               | -6.4                |
| France         | 75 IV             | 8.8                                        | 4.2                                 | 2.9               | 40.1                |
| United Kingdom | 77 I              | -0.6                                       | 0                                   | 3.4               | -2.5                |
| Italy          | 76 IV             | 5.2                                        | 3.0                                 | 15.4              | 22.4                |
| Canada         | 77 II             | 6.1                                        | 3.2                                 | -1.1              | 26.7                |

<sup>1</sup> Seasonally adjusted.**WAGES IN MANUFACTURING <sup>1</sup>**

|                | Latest<br>Period | Percent Change<br>from Previous<br>Period | Average<br>Annual Growth Rate Since |                   |                                  |
|----------------|------------------|-------------------------------------------|-------------------------------------|-------------------|----------------------------------|
|                |                  |                                           | 1970                                | 1 Year<br>Earlier | 3 Months<br>Earlier <sup>2</sup> |
|                |                  |                                           |                                     |                   |                                  |
| United States  | Sep 77           | 0.4                                       | 7.5                                 | 6.6               | 6.5                              |
| Japan          | Jun 77           | 1.7                                       | 17.3                                | 12.5              | 8.7                              |
| West Germany   | 77 II            | 1.7                                       | 9.5                                 | 7.5               | 7.2                              |
| France         | 77 I             | 2.3                                       | 14.1                                | 13.9              | 9.5                              |
| United Kingdom | Aug 77           | 0                                         | 15.3                                | 3.0               | 3.5                              |
| Italy          | May 77           | 5.3                                       | 21.1                                | 29.4              | 33.2                             |
| Canada         | Jul 77           | 0.3                                       | 11.4                                | 11.0              | 12.6                             |

<sup>1</sup> Hourly earnings (seasonally adjusted) for the United States, Japan, and Canada; hourly wage rates for others. West German and French data refer to the beginning of the quarter.<sup>2</sup> Average for latest 3 months compared with that for previous 3 months.**MONEY MARKET RATES**

|                      |                                     |             |      | Percent Rate of Interest |                     |                    |
|----------------------|-------------------------------------|-------------|------|--------------------------|---------------------|--------------------|
| Representative rates |                                     | Latest Date |      | 1 Year<br>Earlier        | 3 Months<br>Earlier | 1 Month<br>Earlier |
| United States        | Cammerical paper                    | Nov 2       | 6.55 | 5.08                     | 5.60                | 6.31               |
| Japan                | Call money                          | Nov 4       | 4.63 | 6.75                     | 5.75                | 5.00               |
| West Germany         | Interbank loans (3 manths)          | Nov 2       | 4.06 | 4.60                     | 4.03                | 4.17               |
| France               | Call money                          | Nov 4       | 8.75 | 11.44                    | 8.50                | 8.38               |
| United Kingdom       | Sterling interbank loans (3 manths) | Nov 2       | 4.84 | 15.36                    | 7.20                | 5.65               |
| Canada               | Finance paper                       | Nov 2       | 7.38 | 9.28                     | 7.38                | 7.10               |
| Euradollars          | Three-month deposits                | Nov 2       | 7.14 | 5.36                     | 6.18                | 6.98               |

## EXPORT PRICES

US \$

|                | Latest<br>Month | Percent Change<br>from Previous<br>Month | Average<br>Annual Growth Rate Since |                   |                     |
|----------------|-----------------|------------------------------------------|-------------------------------------|-------------------|---------------------|
|                |                 |                                          | 1970                                | 1 Year<br>Earlier | 3 Months<br>Earlier |
|                |                 |                                          |                                     |                   |                     |
| United States  | Aug 77          | -0.1                                     | 9.5                                 | 4.1               | -4.4                |
| Japan          | Jul 77          | -1.8                                     | 10.4                                | 10.4              | -4.4                |
| West Germany   | Aug 77          | -1.1                                     | 11.4                                | 9.1               | 7.9                 |
| France         | Jul 77          | 1.5                                      | 11.3                                | 8.2               | 10.2                |
| United Kingdom | Aug 77          | 2.9                                      | 11.0                                | 13.9              | 15.7                |
| Italy          | Jun 77          | 1.7                                      | 11.2                                | 14.5              | 9.8                 |
| Canada         | Jun 77          | -1.7                                     | 9.3                                 | -2.9              | 6.9                 |

## EXPORT PRICES

National Currency

|                | Latest<br>Month | Percent Change<br>from Previous<br>Month | Average<br>Annual Growth Rate Since |                   |                     |
|----------------|-----------------|------------------------------------------|-------------------------------------|-------------------|---------------------|
|                |                 |                                          | 1970                                | 1 Year<br>Earlier | 3 Months<br>Earlier |
|                |                 |                                          |                                     |                   |                     |
| United States  | Aug 77          | -0.1                                     | 9.5                                 | 4.1               | -4.4                |
| Japan          | Jul 77          | -1.0                                     | 6.3                                 | 3.1               | -5.3                |
| West Germany   | Aug 77          | -0.2                                     | 4.5                                 | -0.1              | 0.6                 |
| France         | Jul 77          | -0.1                                     | 9.2                                 | 8.7               | 1.7                 |
| United Kingdom | Aug 77          | 1.9                                      | 16.1                                | 16.7              | 10.1                |
| Italy          | Jun 77          | 1.6                                      | 16.9                                | 19.4              | 18.5                |
| Canada         | Jun 77          | -0.9                                     | 9.5                                 | 5.4               | 9.6                 |

## IMPORT PRICES

National Currency

|                | Latest<br>Month | Percent Change<br>from Previous<br>Month | Average<br>Annual Growth Rate Since |                   |                     |
|----------------|-----------------|------------------------------------------|-------------------------------------|-------------------|---------------------|
|                |                 |                                          | 1970                                | 1 Year<br>Earlier | 3 Months<br>Earlier |
|                |                 |                                          |                                     |                   |                     |
| United States  | Aug 77          | 1.1                                      | 13.4                                | 8.6               | 1.0                 |
| Japan          | Jul 77          | -1.5                                     | 10.5                                | -2.3              | 7.0                 |
| West Germany   | Aug 77          | 0.6                                      | 4.4                                 | -0.7              | 3.3                 |
| France         | Jul 77          | 0.1                                      | 10.3                                | 14.3              | -0.3                |
| United Kingdom | Aug 77          | -1.0                                     | 19.3                                | 13.9              | 1.7                 |
| Italy          | Jun 77          | 3.3                                      | 21.3                                | 15.1              | 22.4                |
| Canada         | Jun 77          | 0.5                                      | 8.6                                 | 8.5               | 7.4                 |

## OFFICIAL RESERVES

Billion US \$

|                | Latest Month | End of | Billion US \$ | 1 Year   |         | 3 Months |         |
|----------------|--------------|--------|---------------|----------|---------|----------|---------|
|                |              |        |               | Jun 1970 | Earlier | Earlier  | Earlier |
|                |              |        |               |          |         |          |         |
| United States  | Aug 77       |        | 19.1          | 14.5     | 18.6    | 19.2     |         |
| Japan          | Sep 77       |        | 17.9          | 4.1      | 16.5    | 17.4     |         |
| West Germany   | Aug 77       |        | 34.9          | 8.8      | 34.3    | 34.8     |         |
| France         | Jul 77       |        | 9.9           | 4.4      | 9.4     | 10.0     |         |
| United Kingdom | Sep 77       |        | 17.2          | 2.8      | 5.2     | 11.6     |         |
| Italy          | Aug 77       |        | 10.5          | 4.7      | 6.3     | 7.9      |         |
| Canada         | Aug 77       |        | 4.8           | 4.3      | 5.6     | 5.2      |         |

## CURRENT ACCOUNT BALANCE <sup>1</sup>

Cumulative (Million US \$)

|                            | Latest<br>Period | Million US \$ | Cumulative (Million US \$) |        |        |
|----------------------------|------------------|---------------|----------------------------|--------|--------|
|                            |                  |               | 1977                       | 1976   | Change |
| United States <sup>2</sup> | 77 II            | -4,605        | -8,763                     | 1,070  | -9,833 |
| Japan                      | Sep 77           | 1,142         | 6,473                      | 1,815  | 4,658  |
| West Germany               | Sep 77           | -647          | 159                        | 956    | -798   |
| France                     | 77 II            | -438          | -2,101                     | -2,052 | -50    |
| United Kingdom             | 77 III           | 911           | -293                       | -2,011 | 1,719  |
| Italy                      | 77 I             | -929          | -929                       | -1,413 | 484    |
| Canada                     | 77 II            | -1,412        | -2,229                     | -3,088 | 859    |

<sup>1</sup> Converted to US dollars at the current market rates of exchange.

<sup>2</sup> Seasonally adjusted.

## BASIC BALANCE <sup>1</sup>

Current and Long-Term-Capital Transactions

Cumulative (Million US \$)

|                | Latest<br>Period | Million US \$                    | Cumulative (Million US \$) |        |        |
|----------------|------------------|----------------------------------|----------------------------|--------|--------|
|                |                  |                                  | 1977                       | 1976   | Change |
| United States  |                  | No longer published <sup>2</sup> |                            |        |        |
| Japan          | Sep 77           | 611                              | 4,398                      | 1,732  | 2,666  |
| West Germany   | Aug 77           | -927                             | -3,282                     | 883    | -4,165 |
| France         | 77 I             | -1,354                           | -1,354                     | -2,015 | 660    |
| United Kingdom | 76 IV            | -277                             | N.A.                       | -4,171 | N.A.   |
| Italy          | 76 III           | 779                              | N.A.                       | 1,096  | N.A.   |
| Canada         | 77 I             | 164                              | 164                        | 882    | -718   |

<sup>1</sup> Converted to US dollars at the current market rates of exchange.

<sup>2</sup> As recommended by the Advisory Committee on the Presentation of Balance of Payments Statistics, the Department of Commerce no longer publishes a basic balance.

## EXCHANGE RATES

Spot Rate

As of 4 Nov 77

|                                    | US \$<br>Per Unit | Percent Change from |                   |                     |           |
|------------------------------------|-------------------|---------------------|-------------------|---------------------|-----------|
|                                    |                   | 19 Mar 73           | 1 Year<br>Earlier | 3 Months<br>Earlier | 28 Oct 77 |
|                                    |                   |                     |                   |                     |           |
| Japan (yen)                        | 0.0040            | 6.02                | 18.62             | 7.23                | 0.95      |
| West Germany<br>(Deutsche mark)    | 0.4432            | 25.15               | 6.27              | 1.69                | 0.24      |
| France (franc)                     | 0.2065            | -6.31               | 3.25              | 0.46                | -0.05     |
| United Kingdom<br>(pound sterling) | 1.8040            | -26.70              | 13.75             | 3.73                | 1.52      |
| Italy (lira)                       | 0.0011            | -35.71              | -1.64             | 0.26                | 0.09      |
| Canada (dollar)                    | 0.9019            | -9.60               | -12.36            | -3.35               | -0.27     |

## TRADE-WEIGHTED EXCHANGE RATES <sup>1</sup>

As of 4 Nov 77

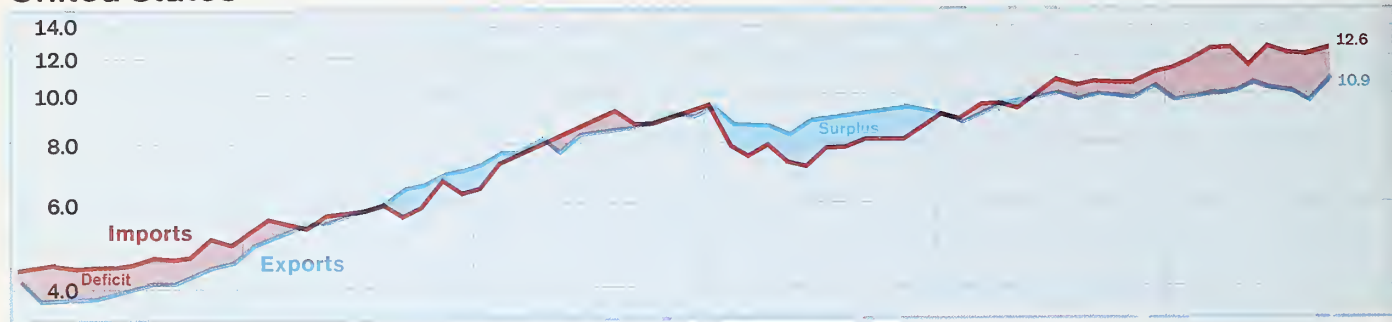
|                | Percent Change from |                   |                     |           |
|----------------|---------------------|-------------------|---------------------|-----------|
|                | 19 Mar 73           | 1 Year<br>Earlier | 3 Months<br>Earlier | 28 Oct 77 |
|                |                     |                   |                     |           |
| United States  | 5.01                | 0.25              | -0.67               | -0.27     |
| Japan          | 11.87               | 20.46             | 6.96                | 0.83      |
| West Germany   | 27.80               | 3.94              | 1.12                | 0.10      |
| France         | -8.13               | 0                 | -0.67               | -0.32     |
| United Kingdom | -27.57              | 13.47             | 3.79                | 1.44      |
| Italy          | -39.43              | -5.03             | -0.82               | -0.13     |
| Canada         | -8.26               | -13.76            | -3.94               | -0.41     |

<sup>1</sup> Weighting is based on each listed country's trade with 16 other industrialized countries to reflect the competitive impact of exchange rate variations among the major currencies.

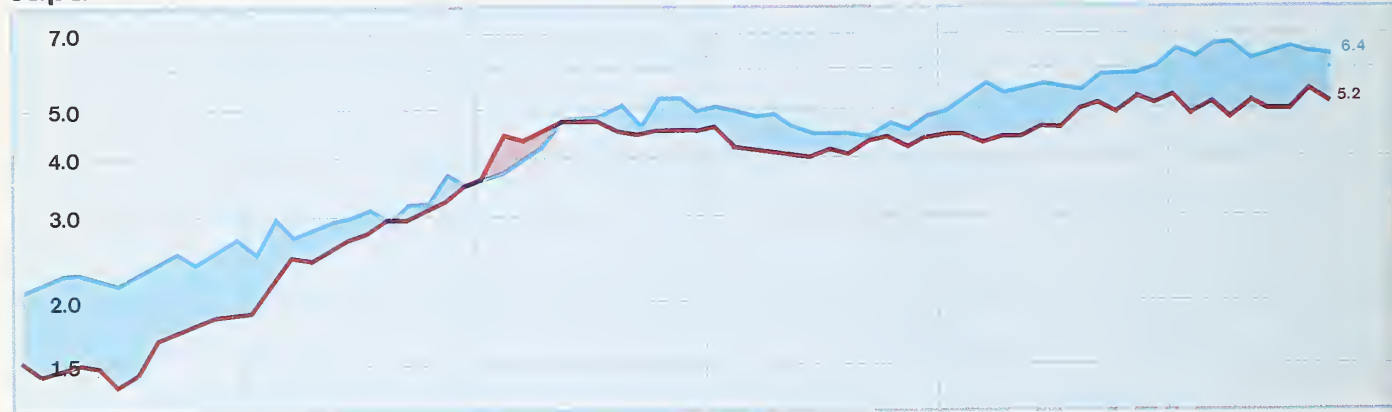
# FOREIGN TRADE BILLION US \$, f.o.b., seasonally adjusted

## United States

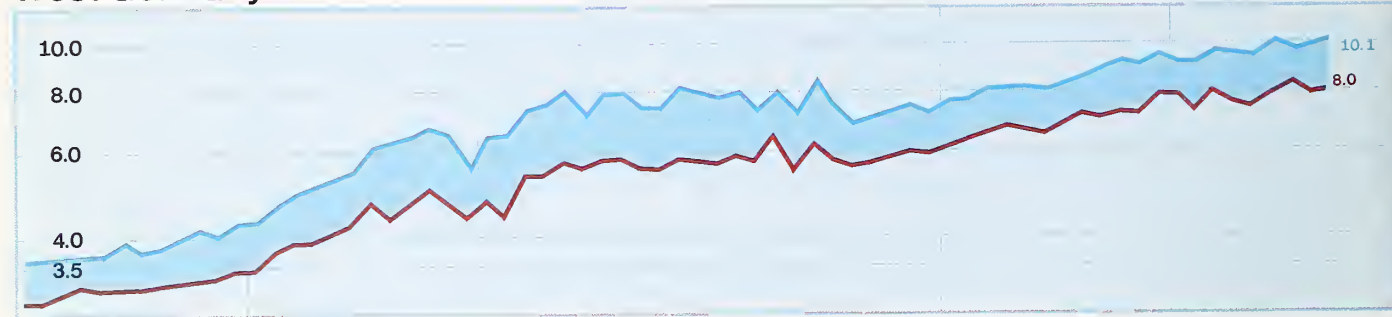
Semilogarithmic Scale



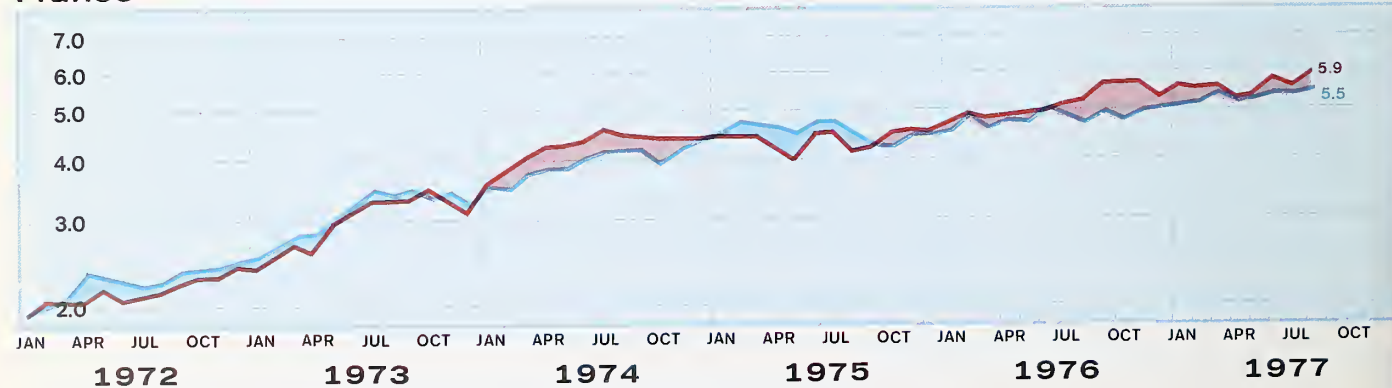
## Japan



## West Germany

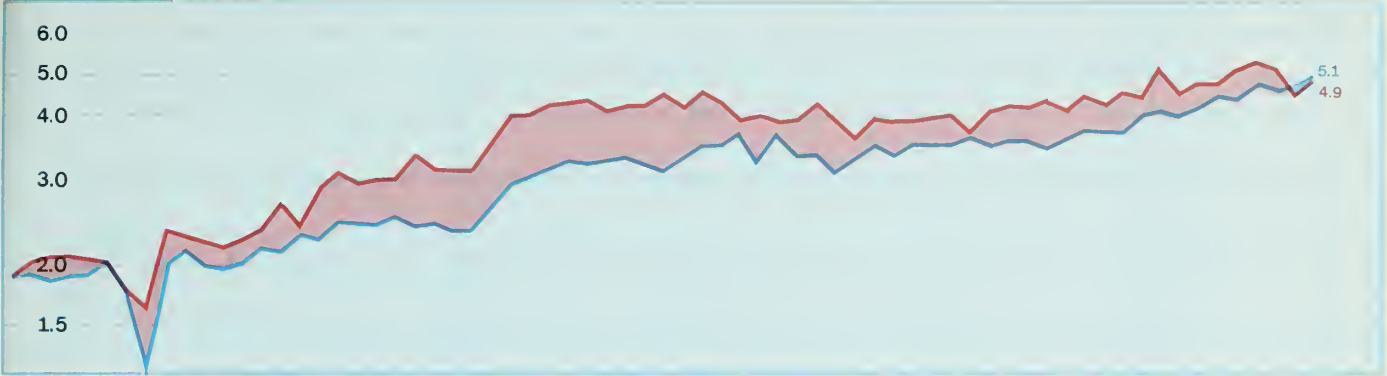


## France

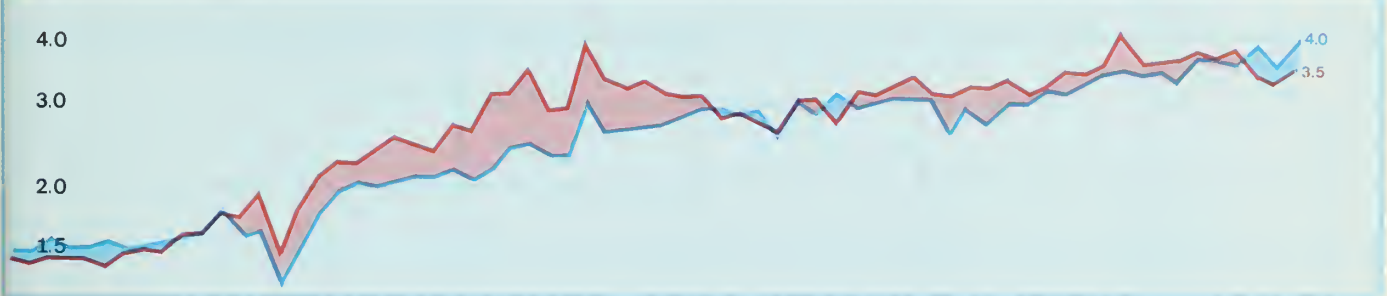


United Kingdom

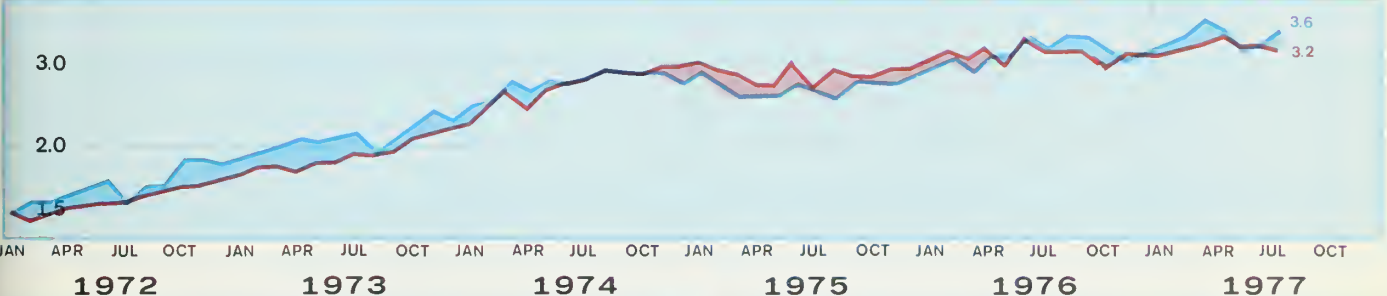
Semilogarithmic Scale



Italy



Canada



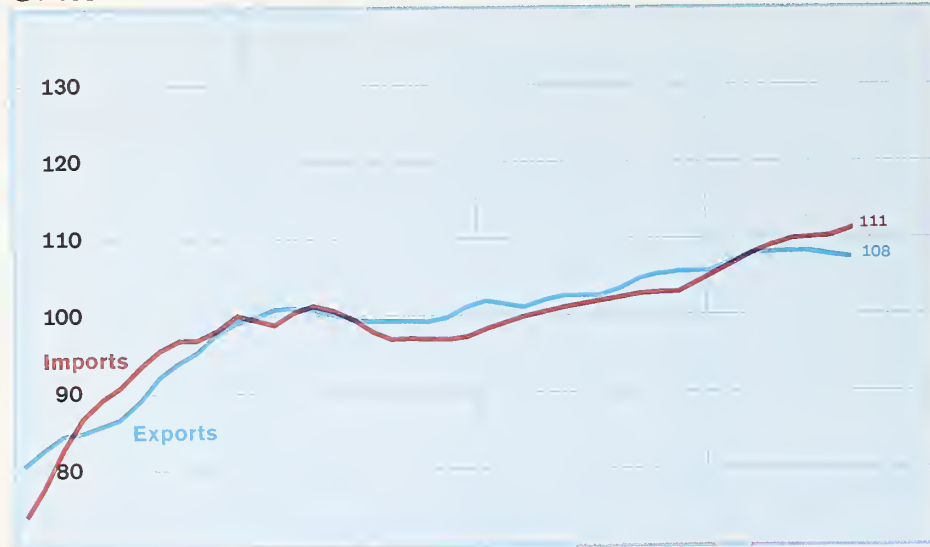
|               | LATEST MONTH | MILLION US \$ | CUMULATIVE (MILLION US \$) |        |         |
|---------------|--------------|---------------|----------------------------|--------|---------|
|               |              |               | 1977                       | 1976   | CHANGE  |
| United States | SEP 77       | 10,916        | 90,584                     | 85,171 | 6.4%    |
|               |              | 12,631        | 109,882                    | 88,297 | 24.4%   |
|               | Balance      | -1,715        | -19,298                    | -3,126 | -16,172 |
| Japan         | SEP 77       | 6,439         | 58,430                     | 48,305 | 21.0%   |
|               |              | 5,183         | 45,838                     | 40,860 | 12.2%   |
|               | Balance      | 1,256         | 12,592                     | 7,445  | 5,147   |
| West Germany  | SEP 77       | 10,061        | 86,227                     | 73,878 | 16.7%   |
|               |              | 8,023         | 70,820                     | 60,750 | 16.6%   |
|               | Balance      | 2,038         | 15,407                     | 13,129 | 2,279   |
| France        | AUG 77       | 5,510         | 41,964                     | 37,453 | 12.0%   |
|               |              | 5,888         | 44,174                     | 39,000 | 13.3%   |
|               | Balance      | -378          | -2,210                     | -1,548 | -662    |

|                | LATEST MONTH | MILLION US \$ | CUMULATIVE (MILLION US \$) |        |        |
|----------------|--------------|---------------|----------------------------|--------|--------|
|                |              |               | 1977                       | 1976   | CHANGE |
| United Kingdom | SEP 77       | 5,095         | 41,159                     | 32,650 | 26.1%  |
|                |              | 4,936         | 44,196                     | 37,511 | 17.8%  |
|                | Balance      | 159           | -3,037                     | -4,861 | 1,824  |
| Italy          | AUG 77       | 4,022         | 29,216                     | 23,305 | 25.4%  |
|                |              | 3,489         | 29,071                     | 25,696 | 13.1%  |
|                | Balance      | 533           | 146                        | -2,391 | 2,537  |
| Canada         | JUL 77       | 3,570         | 24,281                     | 21,994 | 10.4%  |
|                |              | 3,243         | 23,263                     | 22,127 | 5.1%   |
|                | Balance      | 327           | 1,018                      | -134   | 1,152  |

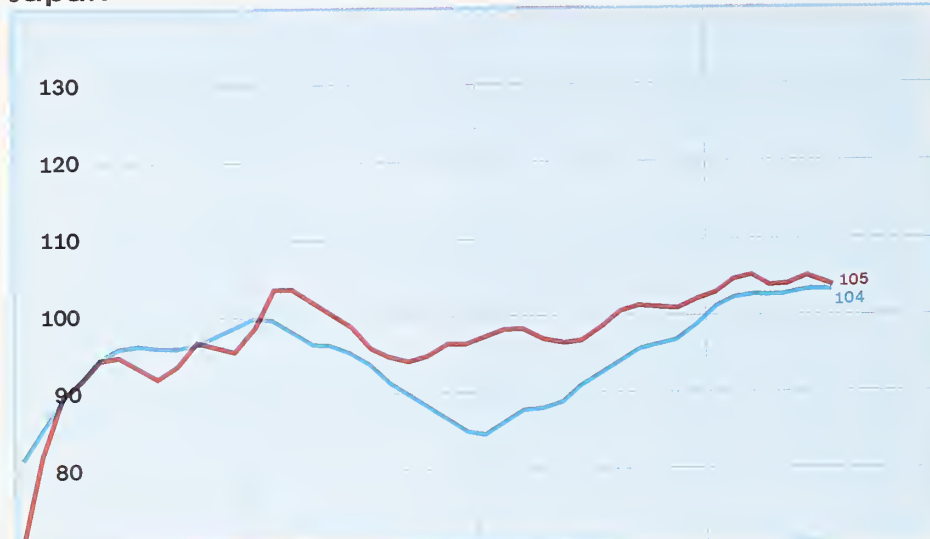
# FOREIGN TRADE PRICES IN US \$<sup>1</sup>

United States

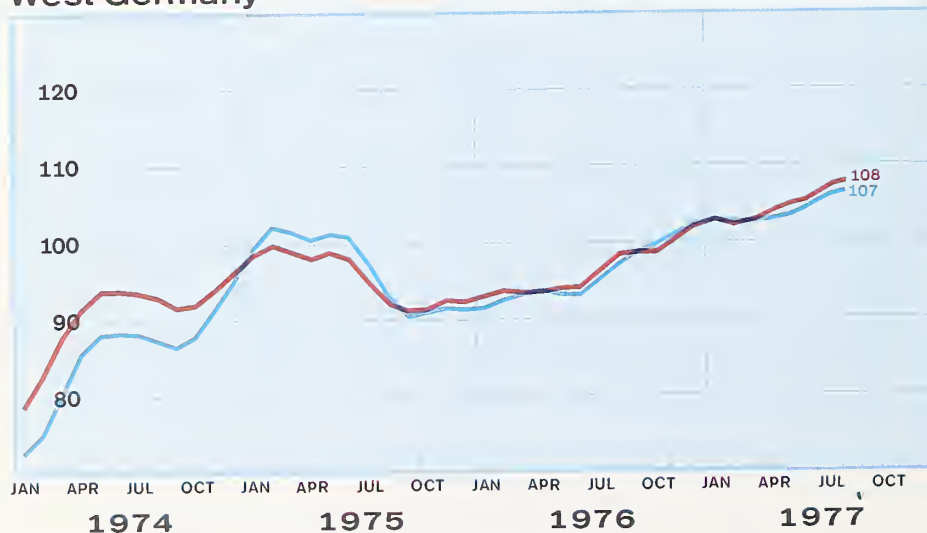
INDEX: JAN 1975 = 100



Japan

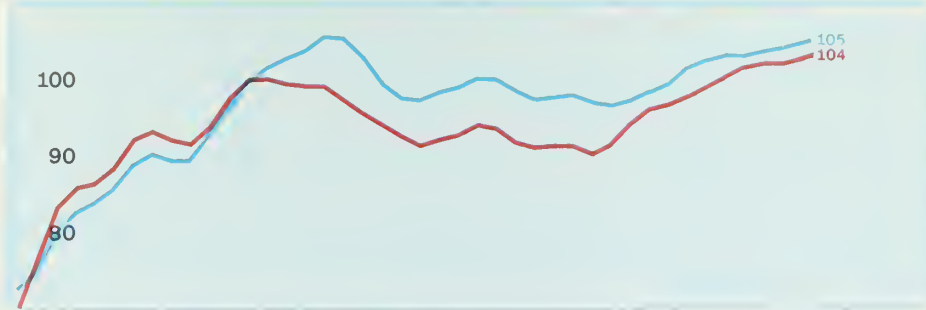


West Germany

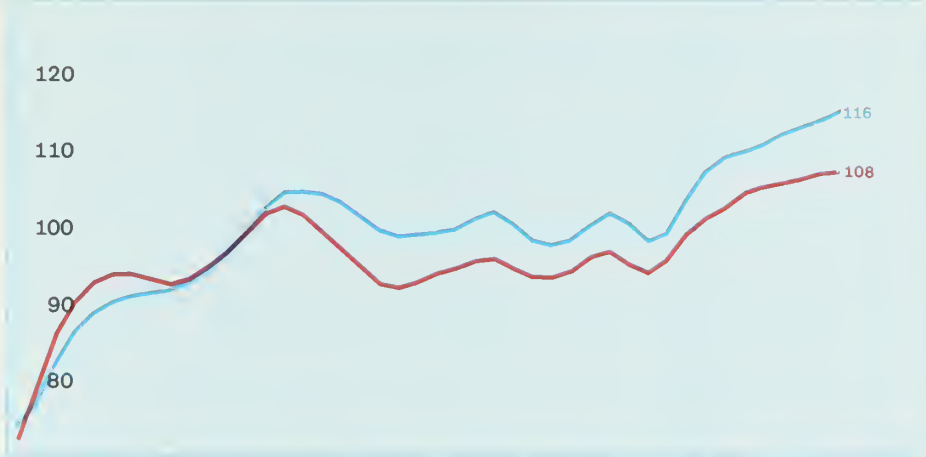


<sup>1</sup>Export and import plots are based on five month weighted moving averages.

## France



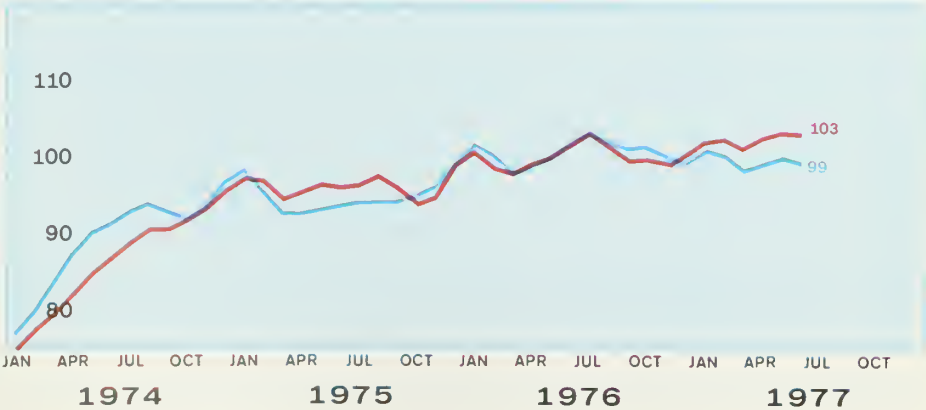
## United Kingdom



## Italy



## Canada



# SELECTED DEVELOPING COUNTRIES

## INDUSTRIAL PRODUCTION <sup>1</sup>

|             | Latest<br>Period | Percent Change<br>from Previous<br>Period | Average<br>Annual Growth Rate Since |                   |                                  |
|-------------|------------------|-------------------------------------------|-------------------------------------|-------------------|----------------------------------|
|             |                  |                                           | Percent Change                      |                   |                                  |
|             |                  |                                           | 1970                                | 1 Year<br>Earlier | 3 Months<br>Earlier <sup>2</sup> |
| Brazil      | 76 II            | 0.1                                       | 11.0                                | 10.7              | 0.4                              |
| India       | Mar 77           | -0.7                                      | 5.3                                 | 9.0               | 20.7                             |
| South Korea | Jun 77           | 8.2                                       | 22.7                                | 14.5              | 22.6                             |
| Mexico      | May 77           | 1.9                                       | 5.9                                 | 2.4               | 27.1                             |
| Nigeria     | 76 IV            | 0.2                                       | 11.3                                | 9.0               | 0.7                              |
| Taiwan      | Aug 77           | -2.9                                      | 12.9                                | 1.2               | -14.9                            |

<sup>1</sup> Seasonally adjusted.

<sup>2</sup> Average for latest 3 months compared with average for previous 3 months.

## MONEY SUPPLY <sup>1</sup>

|             | Latest<br>Month | Percent Change<br>from Previous<br>Month | Average<br>Annual Growth Rate Since |                   |
|-------------|-----------------|------------------------------------------|-------------------------------------|-------------------|
|             |                 |                                          | Percent Change                      |                   |
|             |                 |                                          | 1970                                | 1 Year<br>Earlier |
| Brazil      | May 77          | 1.5                                      | 36.3                                | 41.7              |
| India       | May 77          | 0.4                                      | 12.2                                | 17.8              |
| Iran        | Jun 77          | -4.5                                     | 28.8                                | 26.5              |
| South Korea | Jul 77          | 1.9                                      | 31.6                                | 39.6              |
| Mexico      | Jun 76          | -0.3                                     | 17.0                                | 16.6              |
| Nigeria     | Feb 77          | 5.9                                      | 35.9                                | 54.8              |
| Taiwan      | Jul 77          | 1.4                                      | 24.4                                | 27.1              |
| Thailand    | May 77          | 1.5                                      | 13.5                                | 13.0              |

<sup>1</sup> Seasonally adjusted.

<sup>2</sup> Average for latest 3 months compared with average for previous 3 months.

## CONSUMER PRICES

|             | Latest<br>Month | Percent Change<br>from Previous<br>Month | Average<br>Annual Growth Rate Since |                   |
|-------------|-----------------|------------------------------------------|-------------------------------------|-------------------|
|             |                 |                                          | Percent Change                      |                   |
|             |                 |                                          | 1970                                | 1 Year<br>Earlier |
| Brazil      | Aug 77          | 1.9                                      | 27.0                                | 43.2              |
| India       | May 77          | 1.6                                      | 8.3                                 | 9.7               |
| Iran        | Jul 77          | 0.9                                      | 12.5                                | 29.9              |
| South Korea | Aug 77          | 1.3                                      | 14.6                                | 9.7               |
| Mexico      | Jul 77          | 1.1                                      | 14.7                                | 32.9              |
| Nigeria     | Mar 77          | 3.4                                      | 14.9                                | 13.6              |
| Taiwan      | Aug 77          | 5.6                                      | 11.4                                | 12.3              |
| Thailand    | Aug 77          | 1.1                                      | 8.7                                 | 9.9               |

## WHOLESALE PRICES

|             | Latest<br>Month | Percent Change<br>from Previous<br>Month | Average<br>Annual Growth Rate Since |                   |
|-------------|-----------------|------------------------------------------|-------------------------------------|-------------------|
|             |                 |                                          | Percent Change                      |                   |
|             |                 |                                          | 1970                                | 1 Year<br>Earlier |
| Brazil      | Aug 77          | 0.9                                      | 27.2                                | 37.0              |
| India       | Jun 77          | 0.6                                      | 9.5                                 | 9.5               |
| Iran        | Jul 77          | -1.3                                     | 10.6                                | 19.9              |
| South Korea | Aug 77          | 0.7                                      | 16.3                                | 9.2               |
| Mexico      | Jul 77          | 0.7                                      | 16.4                                | 48.2              |
| Taiwan      | Aug 77          | 0.5                                      | 9.1                                 | 4.2               |
| Thailand    | Jul 77          | 1.0                                      | 10.1                                | 7.1               |

## EXPORT PRICES

US \$

|             | Latest<br>Period | Percent Change<br>from Previous<br>Period | Average<br>Annual Growth Rate Since |                   |
|-------------|------------------|-------------------------------------------|-------------------------------------|-------------------|
|             |                  |                                           | Percent Change                      |                   |
|             |                  |                                           | 1970                                | 1 Year<br>Earlier |
| Brazil      | Jul 77           | -12.4                                     | 16.3                                | 28.4              |
| India       | Feb 77           | 8.0                                       | 10.4                                | 8.9               |
| Iran        | Jul 77           | 0                                         | 35.5                                | 18.7              |
| South Korea | 77 I             | 1.7                                       | 8.8                                 | 11.9              |
| Nigeria     | May 76           | -0.1                                      | 27.3                                | 12.3              |
| Taiwan      | Jul 77           | 0.6                                       | 12.4                                | 9.7               |
| Thailand    | Dec 76           | 2.0                                       | 13.3                                | 13.1              |

## OFFICIAL RESERVES

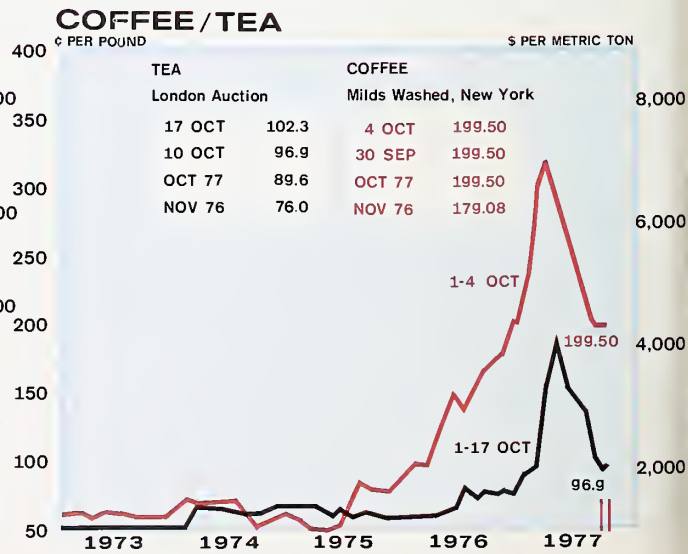
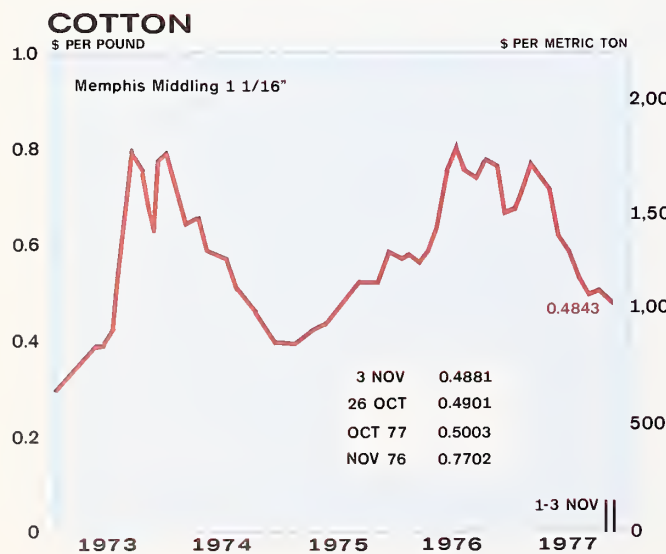
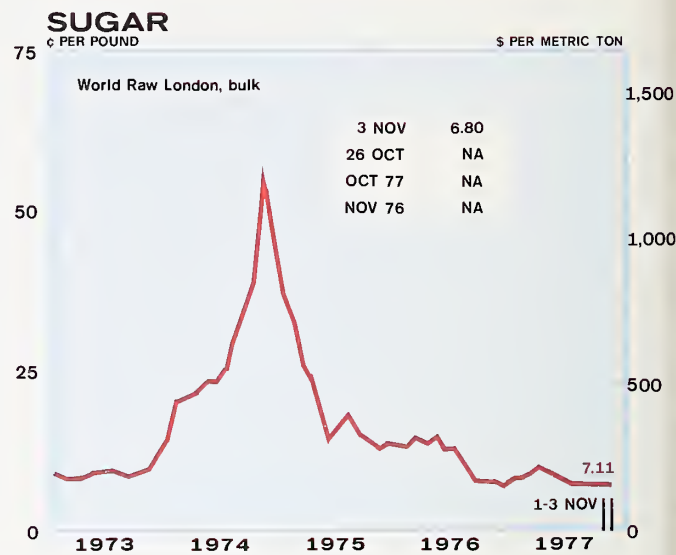
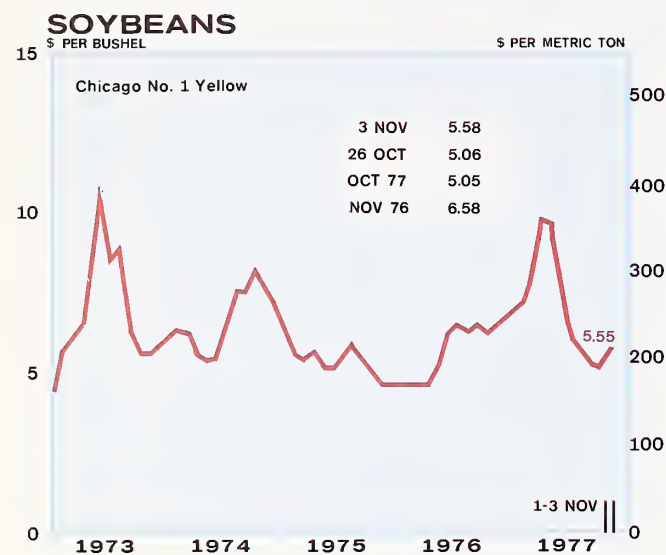
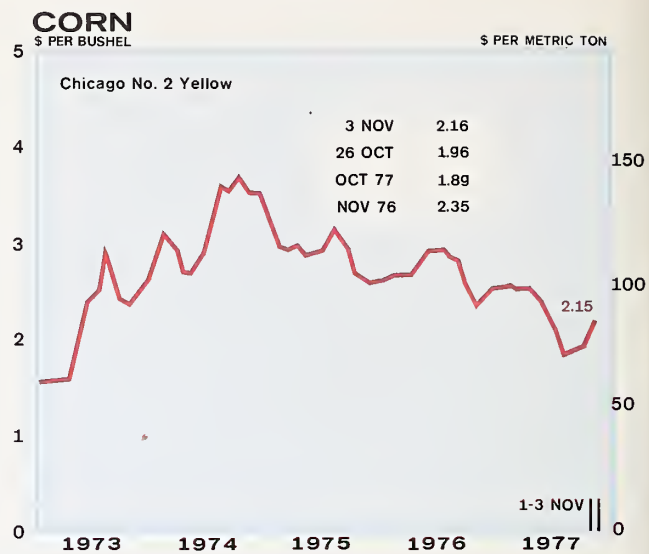
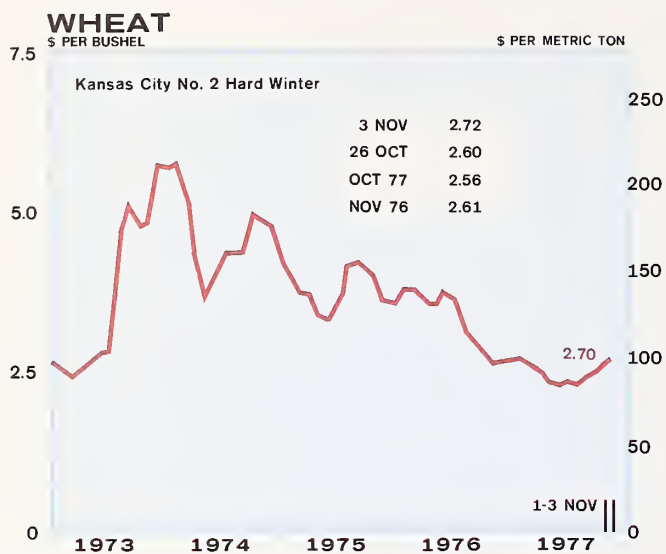
|             | Latest Month | Million US \$ | Million US \$ |                   |                     |
|-------------|--------------|---------------|---------------|-------------------|---------------------|
|             |              |               | Average       |                   |                     |
|             |              |               | 1970          | 1 Year<br>Earlier | 3 Months<br>Earlier |
| Brazil      | May 77       | 5,808         | 1,013         | 3,401             | 5,878               |
| India       | Jul 77       | 4,395         | 1,006         | 2,665             | 4,134               |
| Iran        | Aug 77       | 11,561        | 208           | 9,057             | 11,460              |
| South Korea | Jul 77       | 3,656         | 602           | 2,128             | 3,247               |
| Mexico      | Mar 76       | 1,501         | 695           | 1,479             | 1,533               |
| Nigeria     | Jun 77       | 4,663         | 148           | 5,885             | 4,931               |
| Taiwan      | Aug 77       | 1,416         | 531           | 1,586             | 1,331               |
| Thailand    | Aug 77       | 1,992         | 978           | 1,990             | 2,005               |

# FOREIGN TRADE, f.o.b.

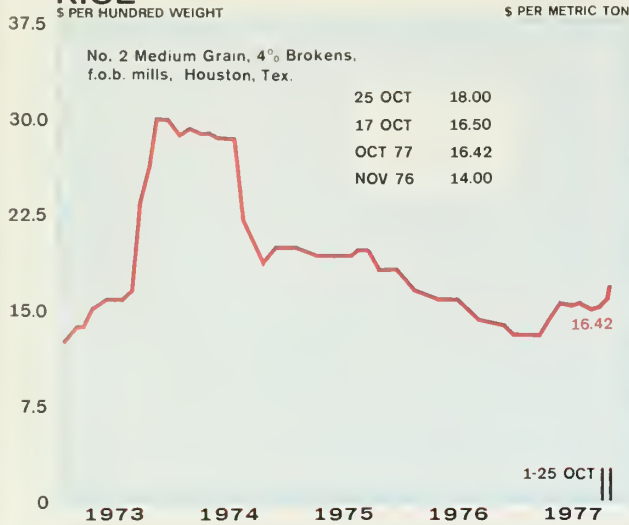
|               |        |         | Latest 3 Months<br>Percent Change from |                        | Cumulative (Million US \$) |        |        |
|---------------|--------|---------|----------------------------------------|------------------------|----------------------------|--------|--------|
| Latest Period |        |         | 3 Months<br>Earlier <sup>1</sup>       | 1 Year<br>Earlier 1977 | 1976                       | Change |        |
| Brazil        | Jul 77 | Exports | 110.6                                  | 27.2                   | 7,225                      | 5,312  | 36.0%  |
|               | Jul 77 | Imports | 22.8                                   | -2.0                   | 6,873                      | 6,989  | -1.7%  |
|               | Jul 77 | Balance |                                        |                        | 352                        | -1,677 | 2,029  |
| India         | May 77 | Exports | 41.3                                   | 10.3                   | 2,288                      | 2,082  | 9.9%   |
|               | May 77 | Imports | -47.5                                  | 1.8                    | 1,810                      | 1,770  | 2.2%   |
|               | May 77 | Balance |                                        |                        | 478                        | 312    | 167    |
| Iran          | Jul 77 | Exports | -32.5                                  | -1.9                   | 13,733                     | 12,829 | 7.0%   |
|               | Jun 77 | Imports | -14.5                                  | -6.0                   | 6,346                      | 6,274  | 1.2%   |
|               | Jun 77 | Balance |                                        |                        | 5,598                      | 4,695  | 904    |
| South Korea   | Jul 77 | Exports | 75.1                                   | 17.6                   | 5,352                      | 4,155  | 28.8%  |
|               | Jul 77 | Imports | 63.9                                   | 17.5                   | 5,428                      | 4,437  | 22.4%  |
|               | Jul 77 | Balance |                                        |                        | -76                        | -281   | 205    |
| Mexico        | Jun 77 | Exports | 17.1                                   | 25.3                   | 2,162                      | 1,661  | 30.2%  |
|               | Jun 77 | Imports | 73.5                                   | -21.5                  | 2,340                      | 2,971  | -21.2% |
|               | Jun 77 | Balance |                                        |                        | -178                       | -1,310 | 1,132  |
| Nigeria       | May 77 | Exports | 22.9                                   | 24.5                   | 1,965                      | 1,570  | 25.2%  |
|               | Dec 76 | Imports | 86.7                                   | 8.4                    | 2,531                      | 1,990  | 27.2%  |
|               | Dec 76 | Balance |                                        |                        | 1,502                      | 1,102  | 399    |
| Taiwan        | Aug 77 | Exports | 95.9                                   | 14.7                   | 5,872                      | 5,191  | 13.1%  |
|               | Aug 77 | Imports | 8.2                                    | 11.1                   | 5,116                      | 4,544  | 12.6%  |
|               | Aug 77 | Balance |                                        |                        | 756                        | 647    | 109    |
| Thailand      | Apr 77 | Exports | 34.3                                   | 22.9                   | 1,221                      | 963    | 26.8%  |
|               | Apr 77 | Imports | 18.9                                   | 23.2                   | 1,251                      | 1,035  | 21.0%  |
|               | Apr 77 | Balance |                                        |                        | -30                        | -72    | 41     |

<sup>1</sup> At annual rates.

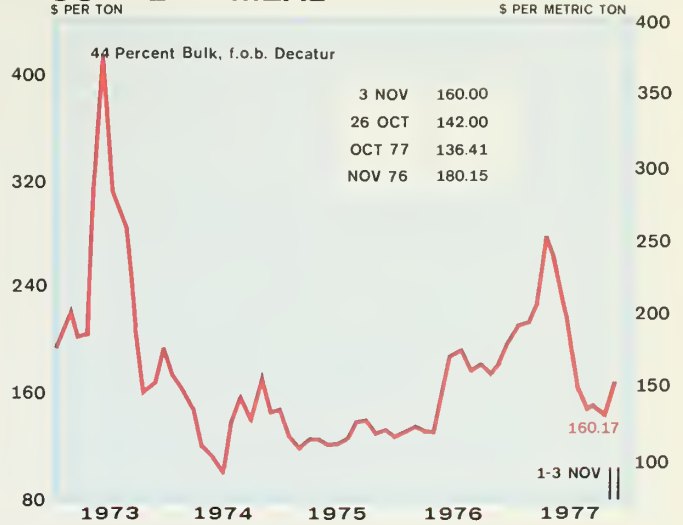
# AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE



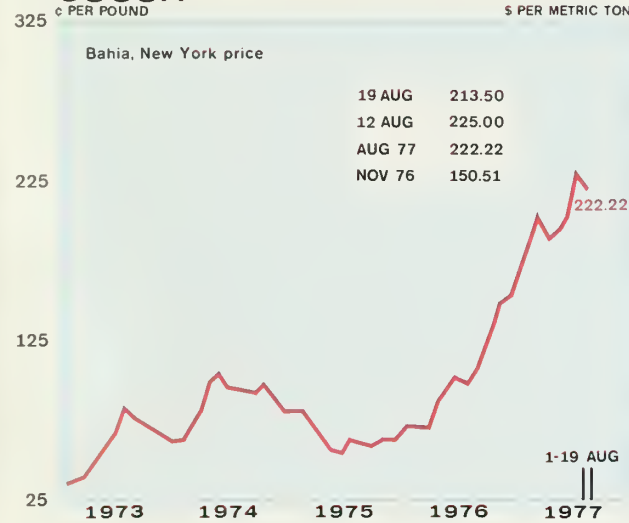
## RICE



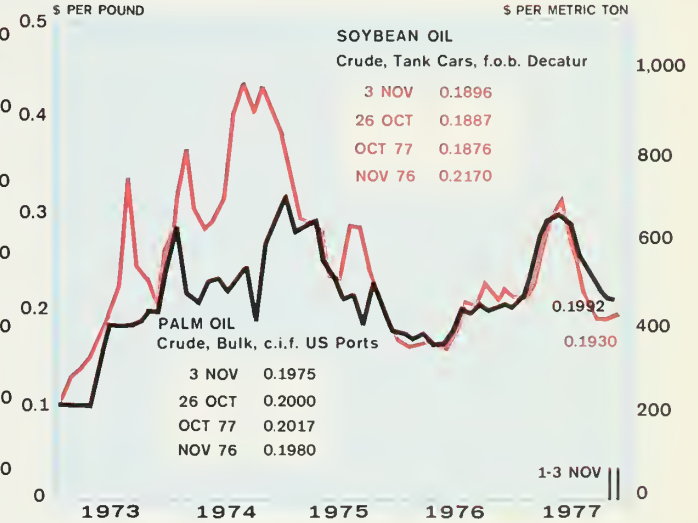
## SOYBEAN MEAL



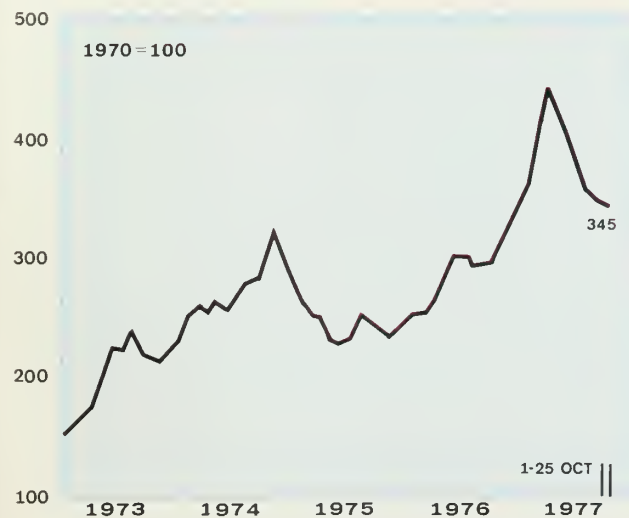
## COCOA



## SOYBEAN OIL/PALM OIL



## FOOD INDEX



NOTE: The food index is compiled by the *Economist* for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

# INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE

